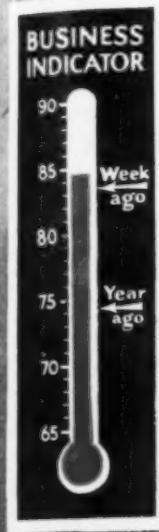


JAN. 2  
1937

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# BUSINESS WEEK



McGRAW-HILL  
PUBLISHING  
COMPANY, INC.

BLOW IN THE NEW—With a smoking stack against a clearing sky.

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MICH.

# Blazing New Trails to Profits with REPUBLIC



## ENDURO

REG. U. S. PAT. OFF.

### STAINLESS STEEL

Licensed under Chemical Foundation Patent No. 1339378.

#### WHO MOST ENJOYED THE NEW ELECTRIC TRAIN — DAD OR JUNIOR? . . .

The train that you helped Junior to run on Christmas morning may have brought ENDURO Stainless Steel into your home. ENDURO is being used for drive wheel bearings, electric shoes and rollers because it resists pitting from sparks and wear from friction.



#### SKYLIGHT FRAMES OF ENDURO SHINE BACK AT OLD SOL

Especially in localities where corrosive gases or salt air are encountered, ENDURO Stainless Steel is ideal material for skylight frames. It never rusts or corrodes—and because of its high strength, lighter sections may be used with safety.



#### HERE'S A HOT ONE — RIGHT ON THE GRIDDLE

When a prominent manufacturer of appliances designed a new broiler griddle, he selected ENDURO Stainless Steel for sides and front. And why not? ENDURO is a lustrous, unchanging, silvery-white metal beautiful to the eye—and it resists heat.



#### DIGGING ON THIS DREDGE NEED NOT BE DIRTY

Shades of the ancient mariner! At least one Government dredge is now equipped with an ENDURO-lined shower bath compartment. And it's a good tip for ship builders of every type of craft. ENDURO will not rust or corrode—is easy to clean.



#### BABY'S MILK IS SAFEGUARDED IN TRANSIT BY ENDURO

Milk—one of the most perishable of foods—is unaffected by ENDURO Stainless Steel. That's one of the reasons why many milk tank trucks are made of or lined with this safe, sanitary metal. Another reason is that ENDURO will not break.

Send for complete information on ENDURO Stainless Steel.



#### A DANDY DOES DIRTY WORK IN THE OIL COUNTRY

When an unusually tough job confronts you, think of ENDURO Stainless Steel—bright, shining Beau Brummell where beauty is the objective—but a tough, corrosion-resisting metal that "can take it" when used in oil country equipment.



#### MORE TIME TO SEE THE SEA

Ask the sailors whose duty it is to keep marine hardware bright and shining what they think of ENDURO Stainless Steel—the metal that doesn't tarnish or corrode even when attacked by salt air and salt water. Do they prefer it? And how!



#### HOSPITALS CHOOSE ENDURO — IT'S CLEAN AND SANITARY

ENDURO Stainless Steel brings first aid to good hospital management. One popular application is for instrument cabinets and shelves where sanitation is the first commandment. ENDURO will always retain its beautiful finish—is easy to keep sterile.

**Republic Steel**  
*Corporation*

GENERAL OFFICES . . . CLEVELAND, OHIO  
ALLOY STEEL DIVISION . MASSILLON, OHIO

BUSINESS WEEK

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JANUARY

# LOTS OF ROOM GIVES YOU A IN THE NEW PLYMOUTH RESTFUL RIDE

## RELAX

*NERVE-SHATTERING Road and Body Noises are Insulated Out—Rumble, Vibration and Bumps are STOPPED by the New Rubber Body Mountings and Shock-Absorbers—You've more Room for Your LEGS, SHOULDERS, HEAD—more Luggage Space—You RELAX... really Rest!*



FRONT SEATS ARE 3" WIDER... 2½" MORE IN REAR! More head room and leg room.



SMOOTH RIDING... no bumps or vibration can reach you... a restful, relaxed ride!



RADIO-STUDIO sound-proofing shuts out nerve-racking road noises and hum.



### WHAT PLYMOUTH HAS DONE

No more Fogged Windshields

No "Back-Street" Jolts

No Nerve-Trying Noise

No "Wandering"

No "Wheel-Fight"

No Night Eye-Strain

No Jerky, Squealing Stops

LEARN HOW PLYMOUTH HAS ACTUALLY TAKEN

THE NERVE-STRAIN FROM DRIVING

SEE WHY this big 1937 Plymouth is so amazingly comfortable:

New Airplane-type Shock-Absorbers... Rubber Cushions between body and frame... Floating Power engine mountings... new Scientific Sound-proofing... improved steering and shifting... new Hypoid rear axle... Hydraulic Brakes... new Safety Interior!

See Plymouth... at De Soto, Chrysler and Dodge dealers. PLYMOUTH DIVISION OF CHRYSLER CORP.

The beautiful 1937 Plymouth De Luxe Four-Door Touring Sedan  
**EASY TO BUY** Commercial Credit Company offers low terms through all De Soto, Chrysler and Dodge dealers.

We believe you will find, after Careful Inspection, that Plymouth gives you Better Engineering, Materials and Workmanship than any Other Low-Priced Car!

TUNE IN MAJOR BOWES' Amateur Hour, Columbia Network, Thurs., 9 to 10 P.M., E.S.T.



*The Best Buy,  
of All Three!*

# PLYMOUTH

## New Business

"The Automobile is a Necessity . . . Not a Luxury" is the theme of a 20-page color insert and advertising poster being mailed to subscribers of *The American Automobile*. Purpose: to provide salesmen throughout the world with promotion material featuring the utility of the automobile which in many countries is still considered to be a luxury.

# YOU MADE 1936 THE BIGGEST YEAR CLARAGE EVER HAD

More Clarge equipment was specified, purchased and installed during the last twelve months than in any previous year in Clarge history.

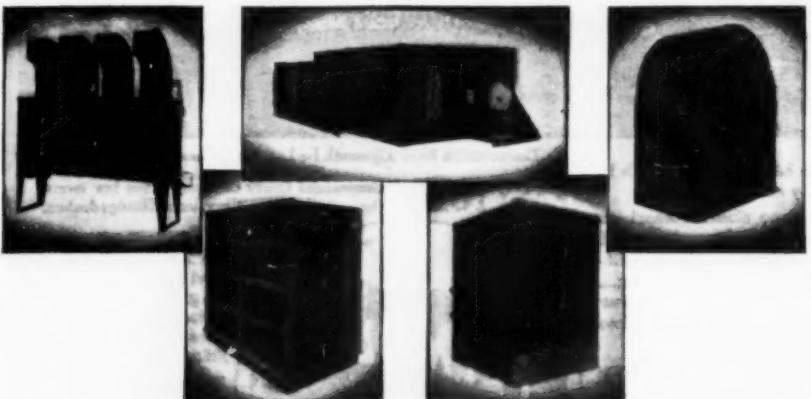
1936 set a new high—our biggest year by a wide margin, requiring two additions to our manufacturing capacity. It was the most emphatic endorsement we have ever received of Clarge quality standards.

To you—business executives, architects, engineers, contractors—who demonstrated your unmistakable

preference for Clarge products in 1936, we repeat: "Thanks a Million!"

And to you, who are not as yet familiar with Clarge products, we invite a thorough investigation of our facilities. We build fans blowers, mechanical draft apparatus, unit heaters, conditioning units and systems—to meet any requirement—expertly designed, faithfully constructed.

There must be—and there are—sound reasons for Clarge's enviable standing in the air handling and air conditioning industry.



**CLARAGE FAN COMPANY**  
Kalamazoo • Michigan Sales Offices in All Principal Cities

COMPLETE AIR CONDITIONING  
VENTILATION...HEATING...COOLING



FANS FOR INDUSTRIAL NEEDS  
MECHANICAL DRAFT EQUIPMENT

COFFEE headquarters is being established in New York at 120 Wall Street during the first week in January by the coffee-producing nations of Latin America. The new headquarters will be known as the Pan American Coffee Bureau. It is understood that the offices of the National Coffee Department of Brazil and the National Federation of Coffee Growers of Colombia will move from their present locations and combine their quarters with those of the Bureau.

SEAWEED, long a food staple in Japan, has now become the basis for a new fiber industry in the island empire. A process has been discovered by Japanese chemists to convert seaweed into a fiber which can be used in hose, sails, and other materials requiring a strong resiliency in water.

CONSUMER cooperatives handling oil and gasoline are an established type. Recently the Columbus (Ohio) Consumers' Cooperative, Inc., added new wrinkles. From motor fuels and oil it expanded into clothing, groceries, coal, dry cleaning, shoes, milk, paint, electrical equipment, insurance, loans (through a credit union). The store is a block from the Ohio State University campus. Sponsorship came mostly from faculty members.

VOL. 1, No. 1 of the *Woolworth News* makes its bow in 194 stores of the 5 & 10 chain in the Greater New York City area. The first issue, printed on newsprint and presented in news style, contains eight pages of Christmas gift suggestions. Other quarterly issues of the give-away will similarly feature seasonal merchandise.

CERTAIN justly suspicious producers of basic raw materials have been having their troubles with manufacturers who

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advertise their products as containing genuine Whoosit while actually utilizing the doubtful economy of competitive, and cheaper, Whatsit. *Industrial Bulletin* of Arthur D. Little, Inc., reports that some of the wiser producers are introducing spectroscopic traces of certain elements into their products so that they can tell readily whether their own, or a competitor's, product has been used in a given instance.

STILL another new industry seems to have been developing during 1935-1936, that of extracting fruit juices, concentrates, volatile oils, vinegar, and similar products from citrus culls. Secretary Wallace's annual report reveals that money paid Texas fruit growers for otherwise stark waste increased from \$10,000 to \$250,000 during that period, all through the cooperation of commercial firms and Department of Agriculture chemists.

THE problem of business vis-à-vis government was succinctly summarized for the American Management Association by James O. McKinsey, chairman of Marshall Field & Co. "If we do not take care of the flaws and mistakes of our business structure and live up to our full responsibility to profit from this depression and do our utmost to alleviate the hardships attendant upon such depressions, it is inevitable that government will take away more and more control until we finally lose our economic freedom. Government is responsive to the masses and will install quick relief agencies which may, through misunderstanding of the problem, prove in some cases to be unsound."

IN a special election Los Angeles voters recently took a deep breath and plunged farther into public utility ownership. By a vote of two to one, they authorized purchase for \$46,340,000 of the electrical properties of Los Angeles Gas and Electric Corp. Much of the power which will be supplied will come from Boulder Dam. The move means that the city will have a virtual monopoly on the sale and distribution of electric power.

ANY way you take it, horseradish is hot this year. Its price thermometer, which stopped at \$3 a barrel top last year, lately has touched \$15 for first-grade tubers. Market men say that the rise is due, in large measure, to the extraordinary heat and drouth of last summer. Farmers who hated to see the heat thermometer go up when the crop was in the ground, don't care how high the price thermometer climbs, because they are making bigger money on the short crops. Two counties in Illinois and one in Missouri are sources of most of the horseradish used in America.

## BEWARE OF THE MACHINE

THAT'S "*getting out the work*"

IT may work as well as the day you bought it a few years ago. But that's not good enough.

A modern Warner & Swasey Turret Lathe produces 30% more than 1929 machines, with far more precision, and can combine as many as 5 operations into 1, with less effort on the part of the operator.

### ONE OF A HUNDRED CASES

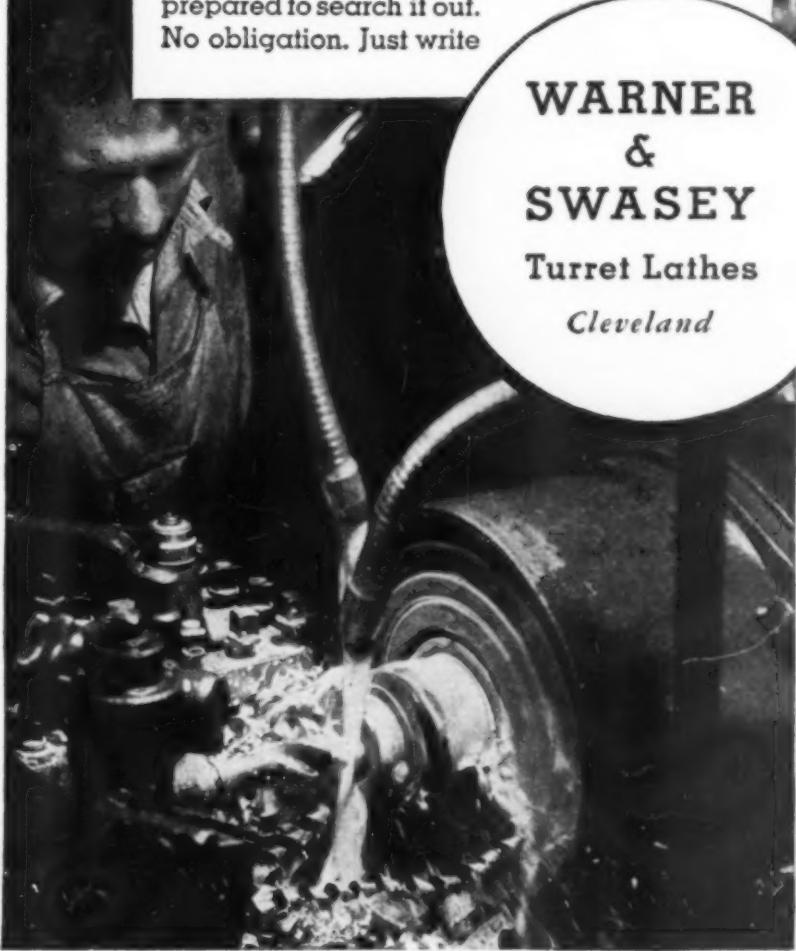
One shop had a lathe seven years old. Job time was 4.2 minutes. With a new Warner & Swasey Turret Lathe, job time was cut to 1.5 minutes.

There is very likely just as good a chance to save, in your operation today. We're prepared to search it out. No obligation. Just write

**WARNER  
&  
SWASEY**

Turret Lathes

*Cleveland*



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## THE LOOKOUT

THE lookout in the crow's-nest of a China clipper was the eyes of the ship's company. His horizon was wide. Theirs was restricted. He was able to make and interpret observations at a distance. They were absorbed in the details of navigation.

Just so is Climax in a position to serve as a "lookout" for industrial executives beset with business details. Years of laboratory and field experience with alloy steels and irons enable unusually accurate predictions of new trends and developments.

The accumulation of data thus obtained has been the basis for the solution of many tough problems involving the cutting of production costs or the increase of sales—or both. This experience is at the service of those with ferrous problems of their own.

Our free, non-technical book, "Molybdenum in Industry," gives administrative, sales and purchasing departments a comprehensive idea of the economies possible with Molybdenum steels and irons. Write for it. Climax Molybdenum Company, 500 Fifth Avenue, New York.

Climax Molybdenum Company

# Washington Bulletin

**WASHINGTON (Business Week Bureau)**—Problems of tremendous importance to business men, investors, workers, and taxpayers will be determined by the new Congress which, swept into office by the New Deal avalanche of Nov. 3, will convene on Tuesday. But don't be impatient. Don't assume that even the master knows just what he wants yet. Congress won't do anything for some time. In fact, it won't know just where it is going for quite a while. And don't expect too much of the President's address to Congress, now scheduled for Wednesday. It won't tell the story. Not a fifth of it. The budget message of Jan. 8 will tell considerably more, and the inaugural address of Jan. 20 will provide a few additional hints. But there isn't going to be what might really be called an agenda message.

## A Continuous Process

There isn't any legislative program yet, and it never will be stated in one official document or speech; it will come piecemeal. There will be lots of messages before the smash of the Speaker's gavel in the House and the tap of Jack Garner's in the Senate, indicating final adjournment. There will be lots of telephone messages from the White House to leaders at both ends of the Capitol.

## Stage Whispers

And (sotto voce) there will be Supreme Court decisions which will be highly decisive as to what is done after they have been digested. For, make no mistake about it, nothing radical is going to be done to curb the powers of the court. It will not be "packed" by increasing the personnel from 9 to 11 or 13 or 15. There will be no law to permit a three-fourths majority in Congress or what-not to override its decisions as to what is and what is not constitutional. Save for possible replacements due to death or retirement, there will be no change in the present status so far as the power of the court to say what Congress may do is concerned.

## From the Prompter's Box

Most important of the things Congress may do are those which relate to labor. But there the court figures heavily, as it does, indeed, all along the line, even in determining the fate of many of the hangover bills.

## Putting Blocks to Blocs

Development of blocs is not the menace some writers seem to think.

## NO SHIFT IN TAXES

*President Roosevelt and New Dealers at large are utterly unmoved by the barrage against the undistributed earnings tax laid down by business men—even those who are numbered among the Administration's friends. There will, perhaps, be some modifications of the law but the essential principle to which this objection is made—the forcing of corporations either to pay out a major part of their net earnings in dividends or be subjected to a very heavy tax—will be continued. About this there is no doubt whatever.*

There have been blocs before, will be this session, always will be. But they mean less this session than usual. Roosevelt's power is too great. Too many people think he will run for a third term and they want to continue standing in solidly with him. Too many others think he will name his successor—hope it will be some one very friendly to them, perhaps even themselves.

## Clambering on Gravy Train

Also there is a tidy sum of federal money to be spent this four years and Roosevelt will disburse it. Whoever directs the spending of huge sums of money does not find his power wanting until the money bags begin to shrink noticeably.

## Fancy Framing Required

Internal dissension on the wage-and-hour question is slowing up preparation of the Berry council's recommendations for legislation on industry control. Trust Major Berry, however, to submit to the President in the near future a report so framed that he will be able to point to some subsequent proposal by the White House as the contribution of his Council for Industrial Progress.

## Tackling Reorganization Job

Roosevelt's approach to government reorganization will be to ask Congress to let him do the job, subject to legislative veto only upon the condition that Congress provide an alternative for any White House proposal that it votes down. The President's object is centralization of all administrative activities under him, stripping numerous independent bi-partisan boards, such as the Tariff Commission and Federal Trade Commission, of all except their strictly statutory functions. This is part of what Jim Farley means when he says the coming four years will see more governmental reforms than in all previous administrations put together.

## Reciprocity Carries On

The fight of farm organizations, aided by some Republicans, to prevent extension of the President's reciprocal treaty-making power, due to expire June 14, seems headed for defeat. In the last campaign the Republicans made the most use possible of this issue. They tried to rouse the farmers on the subject of agricultural imports. They printed maps showing the amount of farm land which would be required to raise the equivalent of these imports. And the farmers voted for Roosevelt. Roosevelt knows this. So do Henry Wallace, Cordell Hull, and the senators and representatives. The President will go on making reciprocal treaties and with increased probability, as indicated last week, that the Supreme Court will approve this sort of delegation of power by Congress.

## Peace a Problem

If there is one thing stronger than President Roosevelt's influence in this Congress it is peace sentiment. There is scarcely any limit to which legislators fresh from contact with the folks, will not go to make sure that the United States is kept out of any world war. Present neutrality law expires this May, and the necessity for new legislation presents a real problem to the White House and State and Commerce Departments, for Congress may go to absurd lengths.

## Puncturing Inflation

Inflationists will scream, but Roosevelt will stand firm against printing-press money. Silver bugs will try to make political capital with their votes, but Roosevelt will do just what he pleases, which is probably to preserve the status quo.

## Weigh Child Labor Curb

Senator O'Mahoney's proposal to force abolition of child labor by exposing its products to laws prohibit-

*Picture of  
a man doing*

## AN HOUR'S WORK IN FIVE MINUTES



Sound's impossible—but it's an absolute fact. It takes only 5 seconds, with a Black & Decker Electric Screw Driver, to drive a No. 8 wood screw tight in pine. It takes from 60 to 70 seconds, with an ordinary hand screw driver, to drive the same screw.

By transferring actual *labor* from expensive man-power to inexpensive electric power, modern Portable Electric Tools effect amazing economies—multiplying the worker's output, improving the quality of his work, reducing fatigue, and enabling him to work at top efficiency through the day.

Over the past several years, many important improvements and new uses have been developed in Black & Decker Portable Electric Tools—so many that few plants today are taking full advantage of all the production and maintenance economies which these tools afford.

#### INVESTIGATE THESE MODERN ELECTRIC TOOL ECONOMIES

Have your plant superintendent write for a Black & Decker catalog, and give you a report on the possibilities of tooling up to cut costs down. Address: The Black & Decker Mfg. Co., 745 Pennsylvania Ave., Towson, Md.

**BLACK  
&  
DECKER**  
*World's Largest Manufacturer of*  
**POR TABLE  
ELECTRIC TOOLS**

ing sale in the states to which they may be transported is "revolutionary," but the principle as applied to prison-made goods under the Hawes-Cooper Act is susceptible to cooperative federal-state action of wide scope, according to lawyers who have studied the Supreme Court's decision last term which upheld constitutionality of the federal law.

#### Short-Lived Loophole

Acting Comptroller General's ruling that split bids on government contracts are valid, even though a patent evasion of the Walsh-Healey Act, is good news to conscientious objectors in industry, but will only serve to speed amendments closing loopholes in the law. In the meantime, the government must accept bids in units under \$10,000, regardless of the total amount of a contract.

#### Road-Building Continues

Apportionment among the states of \$125,000,000 for federal-aid highway construction in the fiscal year commencing July 1 was announced a few days ago. In addition, \$25,000,000 will be allotted for improvement of secondary roads and \$50,000,000 for elimination of grade crossings. Federal funds for roads must be matched but the grade crossing fund is an outright grant. First initiated as an unemployment relief measure, the federal government's contribution for secondary road building and grade-crossing elimination becomes part of the regular federal program this year. Regulations under which these two funds will be administered are now being prepared.

#### More Income, More Relief

An increase of at least \$500,000,000 in gross farm income predicted for 1937, on top of last year's \$9,500,000 total, will put more buying power behind the farm market this year, but in Washington the less the excuse the greater the pressure for farm relief.

#### An Out on Earnings Tax

Adoption by the Securities Exchange Commission and the Interstate Commerce Commission of a policy that enables corporations subject to their jurisdiction to avoid surtax liability but harmonizes with the purpose of the surplus earnings tax was revealed this week. The Mission Oil Co. was authorized by SEC to pay out to shareholders as a dividend a promissory note, thus escaping the undistributed earnings tax. And the ICC permitted the Greyhound Corp. to issue preferred stock as a dividend. These are ways to declare dividends yet cling to cash.

#### Glass Hangs On

Once a justice of the U. S. Supreme Court resigned to go on South Carolina's high bench. But that was a long time ago. In recent years our big figures do not voluntarily take less important jobs. This truism Senator Carter Glass proves for the second time by announcing, after months of speculation on the part of would-be demoters, that he will keep the chairmanship of the Senate Appropriations Committee, and not give it up to become chairman of Banking and Currency Committee. Besides, Glass knows he can run Banking and Currency anyhow.

#### Carriers Take Heart

Gloom caused by the Interstate Commerce Commission's refusal to continue the emergency freight surcharges is lifting. It is estimated that a 10% pickup in traffic this year would more than offset the loss of approximately \$120,000,000 in net revenue derived from the emergency rates. And the increase of 13.8% in carloadings in 1936 lays the base for optimism. Moreover, there is further hope of relief when the ICC hears the railroads' case for overhauling the entire rate structure. Out of that may come rate boosts on most of the key commodities.

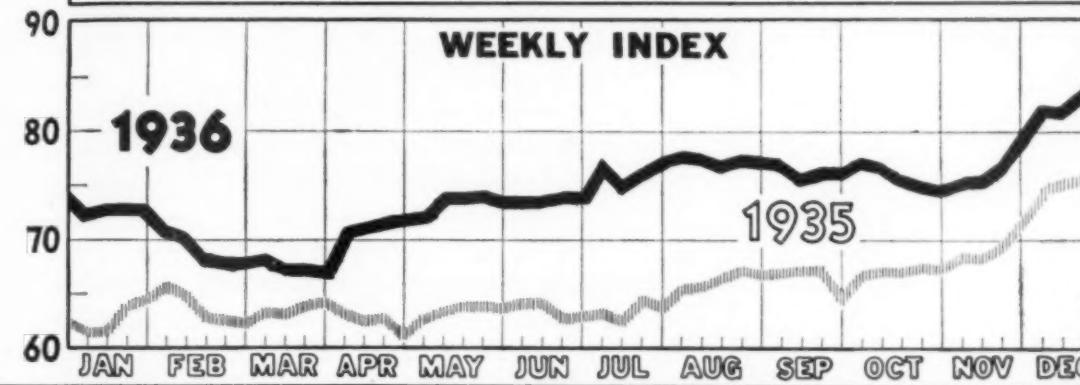
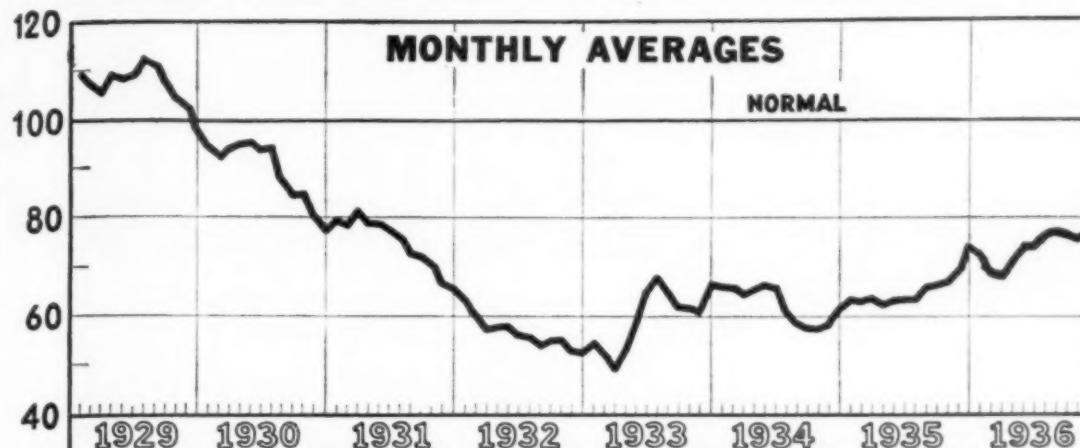
#### No Airplanes for Loyalists

Before Robert Cuse can condition and deliver his \$2,770,000 lot of used airplanes for shipment to Spain, Congress will meet and revoke his licenses. No way else could it keep faith with aircraft manufacturers who have sacrificed profits complying with the government's "please don't" request.

#### Profit and Loss at B. A.

Despite tons of favorable publicity and downright good feeling engendered by the Buenos Aires conference, it was a flop so far as Roosevelt's two real objectives are concerned. One was to set an example for war-frightened Europe; dispatches from European capitals indicate that virtually no attention was paid to the conference. The other was to work out some definite neutrality agreement which would bind all the Americas, in the event of war, not to ship war supplies across the Atlantic; this did not get to first base. Failure to score is not as bad as some think, for everyone in the know about affairs from the Rio Grande to Cape Horn agrees that even if there had been an agreement it would have been broken by the first nation seeing an opportunity to make a dollar by violating it. And that might have provoked real trouble in this hemisphere.

# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



BUSINESS WEEK INDEX . . . . .	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1931-35
PRODUCTION	*84.6	+83.9	79.9	74.2	64.4

★ Steel Ingot Operation (% of capacity) . . . . .	77.0	77.0	75.9	46.7	30.7
★ Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis) . . . . .	\$8,378	\$9,012	\$6,645	\$6,936	\$6,401
★ Bituminous Coal (daily average, 1,000 tons) . . . . .	*1,706	†1,759	1,676	1,398	1,300
★ Electric Power (million kw.-hr.) . . . . .	2,081	2,275	2,134	1,847	1,655

## TRADE

Total Carloadings (daily average, 1,000 cars) . . . . .	122	123	132	100	93
★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars) . . . . .	77	77	82	63	59
★ Check payments (outside N. Y. City, millions) . . . . .	\$5,691	\$5,434	\$4,740	\$3,586	\$3,351
★ Money in Circulation (Wednesday series, millions) . . . . .	\$6,680	\$6,552	\$6,429	\$5,991	\$5,726

## PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.) . . . . .	\$1.41	\$1.37	\$1.23	\$1.13	\$1.78
Cotton (middling, New York, lb.) . . . . .	*13.02¢	†12.78¢	12.45¢	11.95¢	9.48¢
Iron and Steel (Steel composite, ton) . . . . .	\$35.33	\$33.18	\$34.79	\$33.31	\$30.97
Copper (electrolytic, Connecticut Valley, basis, lb.) . . . . .	11.625¢	11.208¢	10.500¢	9.250¢	7.750¢
All Commodities (Fisher's Index, 1926 = 100) . . . . .	87.9	87.3	86.0	84.1	71.9

## FINANCE

Total Federal Reserve Credit Outstanding (Wednesday series, millions) . . . . .	\$2,542	\$2,463	\$2,457	\$2,523	\$2,375
★ Total Loans and Investments, Fed. Res. rep'tg member banks (millions) . . . . .	\$22,941	\$22,875	\$22,401	\$20,939	\$19,554
★ Commercial Loans, Federal Reserve reporting member banks (millions) . . . . .	\$5,856	\$5,770	\$5,580	\$4,964	\$5,702
Security Loans, Federal Reserve reporting member banks (millions) . . . . .	\$3,314	\$3,298	\$3,199	\$3,200	\$4,050
Brokers' Loans, Federal Reserve reporting member banks (millions) . . . . .	\$1,272	\$1,251	\$1,180	\$1,089	\$862
Stock Prices (average 100 stocks, <i>Herald-Tribune</i> ) . . . . .	*\$124.11	†\$124.20	\$126.07	\$111.68	\$96.27
Bond Prices (Dow, Jones, average 40 bonds) . . . . .	*\$105.28	†\$105.38	\$105.66	\$98.39	\$86.02
Interest Rates—Call Loans (daily av'ge, renewal) N. Y. Stock Exchange . . . . .	1%	1%	1%	1%	1.4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City . . . . .	%	%	%	%	1.7%
Business Failures (Dun and Bradstreet, number) . . . . .	162	179	129	170	345

\* Factor in Business Week Index \*Preliminary †Revised

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# Burroughs

## SHORT-CUT KEYBOARD



### ELIMINATES NEEDLESS MOTIONS

#### ALL CIPHERS ARE AUTOMATIC

Only on the Short-Cut Keyboard are ciphers written automatically. Thus, much of the work is done without touching a key.

#### SEVERAL KEYS AT ONE TIME

Only on the Short-Cut Keyboard can two or more keys be depressed at one time. This saves many needless motions.

#### ENTIRE AMOUNTS IN ONE OPERATION

Only on the Short-Cut Keyboard can an entire amount and the motor bar be depressed together, thus completely adding or subtracting the amount in one operation.

#### NOTE THIS TYPICAL SAVING

The 19 amounts on the tape at the left were listed and added by the Burroughs short-cut method in 22 operations. Had each key and the motor bar been depressed separately—and had there been a cipher key to depress—it would have required 91 separate operations instead of 22 . . . thus, Burroughs saves 69 operations on this one typical job. The total is obtained in a single operation.

#### Are You Taking Full Advantage of the Short-Cut Method?

If you are not now saving the thousands of needless motions that can be eliminated in the course of a day's adding machine work by taking full advantage of the Burroughs short-cut method, telephone the local Burroughs representative. He will show you how this method will bring greater speed, ease of operation and accuracy to your figuring work. Or, write for illustrated booklet describing short-cut figuring and new Burroughs machines.

BURROUGHS ADDING MACHINE COMPANY  
DETROIT, MICHIGAN

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JANUARY

# The Business Outlook

FOUR years of recovery have convinced the business world that 1929 production and trade volume was not the ultimate that either can or should be produced. Hence the almost unanimous conviction on the part of business prognosticators that 1937 will see further progress, that although many individual concerns and a respectable list of industries reached new highs last year, 1936 marked no peak in the cycle of recovery. True, there are clouds on the horizon. The situation in Europe and the Far East offers no assurance that the recovery cart can make orderly progress unless maneuvers now on foot succeed in relieving the tension (page 38).

## Labor Makes Trouble

On the home ground, there are other obstacles to be overcome. The recent presidential election has been interpreted in labor circles as giving *carte blanche* to labor union activity bent on substantially increasing labor's share of national income. The restlessness of labor that became evident in the last quarter of 1936 despite the shower of bonus and wage increases is the sort of thing that can be expected to persist in 1937. The motor, steel, and coal industries appear most vulnerable just now, and any serious disruption in these key industries might easily upset the recovery cart.

## Less Fear of Politics

Uncertainties of lawmaking which bothered business at the outset of each recent year are less a factor for 1937. The major outlines of the Administration's goal are now clear, the legislation enacted, and more or less assimilated. The constitutionality of these measures is now the main interest of business. If major pieces of legislation are rejected by the Supreme Court, Congress will no doubt be asked to repair the damages. These repairs are likely to be more moderate than the originals; therefore to cause no serious dislocation of business.

## Moderate Gains Expected

Barring these checks to orderly recovery, business can pretty safely look forward to further but perhaps more moderate expansion over the coming 12 months. *Business Week's* index moved past the 80% of normal line before the close of 1936, though the average for the year was but 75% of normal. This index covers the broad field of production, construction, and trade. A gain of at least 10%, possibly as much as 15%, would lift the average for 1937 to between 82%

## WORDS AND PICTURES

*Because the major aspects of 1937 prospects are presented by Business Week in pictorial form this year on pages 22, 23, 26, and 27, the reader is directed to those pages for discussion of topics ordinarily treated on this page. The accompanying columns serve to round out the story by adding additional and pertinent data in related fields.*

and 86%. Individual weeks could easily hit 90%.

## Heavy Goods and Light

In 1936, the heavy or capital goods industries made the most rapid strides, outdistancing the consumer lines five to one (*BW—Nov 21'36, p16*). But despite a gain of 35%, capital goods producers averaged only about 75% of normal, while consumer goods, with a 7% increase, were better than 90% of normal. Prospects for 1937 for both lines are favorable, with capital goods counting on a 25% increase bringing them to the 90% line, consumer lines expecting a 10% boost to lift them past the "normal" level.

## Construction Keeps Growing

Among the industries to be spotlighted in 1937 stands construction. Gains in the past year have been substantial, measured percentagewise, but no new peak in volume has been reached. Not even 1937 holds the promise of eclipsing the big building years of 1925-1929, nor will the percentage of gain be as great as 1936's margin over 1935. But a 20%-25% increase seems assured, with residential activity spurring at least 40% ahead of last year.

## Lumber—Best Since '29

Largely because of the bright future ahead for residential building, lumber interests can count on doing their best year since 1929 when production reached close to 37 billion board feet. Close to 27 billion seems

a fair count for 1937 production, provided strikes do not disturb the picture as they have been doing in recent weeks.

## Rush For Machine Tools

Machine tool activity in 1936 has been the best since 1929 as both domestic and foreign consumers suddenly converged on the plants of builders with requests for speedy delivery of equipment. That rush has not yet subsided and while the gains over 1936 may be less sharp than last year's gains over 1935, only 25% would be needed to beat the 1929 post-war peak. Particularly noteworthy next year should be the business coming from railroads for retooling their shops which have been neglected over the past five or six years.

## Fine Electrical Outlook

Electrical manufacturers are among those capital goods producers who anticipate close to a banner year in 1937. The 78 manufacturers who reported over \$700,000,000 of orders in 1936 are likely to see that figure jump to over \$900,000,000 in 1937, which is not so far from the billion dollar year of 1929. Buying by the utilities will be an important factor. Also there seems little doubt that the sales of household appliances like refrigerators, radios, washing machines, vacuum cleaners, and ranges will further expand with the expansion of public purchasing power.

## Demand For Chemicals

Chemical industries look for at least a 10% increase in 1937 output over 1936. Every improvement in rayon, glass, rubber, paint, fertilizer, oil, leather, or plastics spells heavier demand on basic chemical producers. With all these industries anticipating better business in 1937, chemicals should profit accordingly.

## Trade Treaties Help

Reciprocal trade agreements bid fair to be continued and extended in 1937 with resultant stimulation of trade. Prospective arrangements with Great Britain, Argentina, and Italy will have marked effects on both agricultural and industrial products.

## Boost For Advertising

Not least among those who expect to benefit by the rise in national income to the \$65,000,000 mark is the advertising fraternity. The last half of 1936 saw distinct improvement in advertising volume, induced in no small measure, perhaps, by the undistributed earnings tax. Advertising activity in 1937 should rate 15% to 25% above that of 1936.

# An Annual Return of \$2700 on an Investment of \$4066

**T**HE Union Special Machine Company, of Chicago, is saving \$2700 annually by a change in its method of manufacturing. The 100 different machine parts affected were formerly riveted, pinned, torch-brazed, or machined from solid stock. They are now fabricated in a General Electric hydrogen-brazing furnace installed at a cost of \$4066. Not only will the saving in operating costs pay for the furnace in less than two years, but the quality and the uniformity of the manufactured parts have been greatly improved.

Opportunities for making more money and for higher production efficiencies are, not frequently, obvious; but General Electric sales engineers have had broad experience in studying the electrical problems in industrial plants of all types, and their experience may help you and your engineers to find improved production methods and economies—economies that build larger profits.

Have you recently inspected your plant critically for changes that might increase its profits? A General Electric sales engineer will be glad to work with you or with your consulting engineers to find a profitable solution to your problems. Call our nearest sales office or write to General Electric, Schenectady, N. Y.

Any reputable electric equipment will operate — *but* you obtain the greatest profits possible ONLY when the correct equipment is skillfully applied to your job.

**GENERAL**  **ELECTRIC**

# BUSINESS WEEK

JANUARY 2, 1937

## Utilities Plan the Big Push

New all-time consumption highs, headed higher, force biggest budget in six years for expanding generating capacity, building new lines.

In 1937 the electric light and power industry will spend a minimum of \$635,000,000 for new construction and maintenance—a buying program of vast importance to all industry. The new budget is the biggest since 1931 and compares with last year's expenditure of \$431,000,000.

If the road were clearer, if the threat of the Public Utility Holding Company Act, the activity of the Tennessee Valley Authority, and the municipal power program of the Public Works Administration did not cloud the outlook—this \$635,000,000 would quickly be stepped up to a billion.

### Forward Cautiously

Meanwhile, despite the unprecedented demand for power from industrial plants, from commercial establishments, and from domestic consumers, the power industry maintains a cautious attitude, plans only for its present pressing needs.

Of the anticipated expenditure, \$531,000,000 will represent new capital expenditures, a 60% increase over the \$330,000,000 of 1936. The bulk of this \$249,000,000 will go for distribution lines to provide for 700,000 new customers and 37,000 miles of rural line, while the next largest expenditure, \$143,000,000, will be budgeted for expanding the generating

capacity of central stations. As compared with 1936, transmission mileage will be increased 2½ times by private companies and more than 1½ times by municipalities—a grand total of 5,000 miles planned for 1937. These figures are indicated in *Electrical World's* annual survey of the industry.

Utilities have just about reached the limit in loading present facilities and have skated close to a hazardous encroachment on their reserves. Next year, steam-generating facilities will be expanded by the expenditure of \$137,000,000 against \$53,000,000 in 1936. Moreover, the bulk of these expenditures will be undertaken by private companies that plan to add 4½ times as much steam-generating capacity as in 1936.

Because both hydro and other generating capacity to be added by governmental agencies will be smaller than the preceding year, the bulk of the increase in new capacity (from the 606,858 kw. of 1936 to 1,272,930 of 1937) will be accounted for by private industry. This represents only capacity actually budgeted. If all expansion programs under discussion are carried through, the total of new capacity for 1937 might be stepped up to 2,000,000 kw.

The utilities managed to get through recent years of rising demand by virtue

of the fact that in 1930 they added sufficient capacity to provide a fair margin of excess, and in recent years have increased the capacity of these stations by adding new generating equipment including superposed turbines. Next year, this same trend will be continued. Installations in existing central stations will represent the bulk of capacity to be added by private utilities; the construction of new stations will account for only a small part. Moreover, most of the new capacity will be in small units of 15,000 to 35,000 kw., another indication of the industry's caution.

### More Lines to Farms

Rural mileage constructed in 1936 reached a new all-time high, and in the coming year even that record will be topped. Private companies have 26,110 miles budgeted, municipal plants report 1,402 miles, and the Rural Electrification Administration may undertake to build 9,000 miles—36,512 miles in all. This will mean the addition of 160,000 rural customers, about the same as in 1936, but far more than for the preceding few years—56,000 for 1935, and 30,000 for 1934, and 4,000 for 1933.

The line construction program will involve the expenditure of some \$48,000,000 and will bring 33% of all farms having improvements of \$500



"THE OLD ORDER CHANGETH . . ."—Detroit has gone natural gas, obsoleting the huge gas manufacturing plant, left. Control of the 1,200 mi. flow from the Texas Panhandle is handled in the small building in the foreground. Above; the whole industrial and residential supply pours through this single valve, supplying the Detroit area with millions of cu. ft. heretofore wasted daily at the source.



Wide World Photos

or more within the select circle of electrified rural homes.

Because an electrified farm represents an average investment of \$476 in which the utility has a considerable share, the industry plans to press hard to expand the use of current so the investment will offer some return in future years. Sales promotion plans call for \$70,000,000 campaign on appliances to lift the power load.

### Manufacturers Benefit

Beneficiary of the enlarged budget of the utilities is the electrical manufacturing industry, whose sales in 1936 probably topped \$960,000,000 and who anticipate a volume of \$1,200,000,000 in 1937. Production limitations may be the only check on the volume finally produced. Deliveries are already being pushed farther ahead, for not only is the power industry in the market for transformers, generators and other heavy equipment, but other industries are competing for attention. The domestic appliance field is setting new records each year, and the expansion of new construction will add another spur.

Last year, the power and light industry's gross revenue was \$2,231,500,000, a new high. It achieved this astronomical figure by cutting rates and expanding the volume distributed for both domestic and business customers. Production of 105,820,000,000 kw.-hr., also a new record, was set largely through the expansion of demand from industrial customers, and it is the continued pressure from this source, particularly marked in recent weeks, which may compel the utility industry to expand its facilities beyond those already budgeted.

### Car Makers Uneasy

**Expect further labor trouble as Fisher "sitdown" focuses national attention on industry.**

**DETROIT (Business Week Bureau)**—Observers familiar with the automotive labor situation are looking ahead to a season of sporadic strikes, perhaps throughout the winter. The Kelsey-Hayes and Aluminum Co. strikes, suddenly and unexpectedly settled last week, and Fisher Body's paralyzing experience with the "sitdown" this week, are symptomatic of general unrest.

Considerable sentiment exists in favor of raising wage rates in the troubled parts industry to a level comparable with that in the plants of the car manufacturers, thus eliminating one of the chief irritants leading to recent strikes. If such action is taken, car companies would be compelled to revise parts contract prices to take care of the added labor expense.

As the two parts strikes were ended

### What Utilities Have Built and Will Build

CENTRAL STATIONS (Millions of dollars)	TRANSMISSION AND DISTRIBUTION LINES (Millions of dollars)		
		1937	1936
\$143		1937	1936
58		1936	1935
43		1935	1934
20		1934	1933
30		1933	1932
46		1932	1931
163		1931	1930
325		1930	1929
281		1929	1928
285		1928	1927
235		1927	1926
400		1926	1925
380		1925	1924
379		1924	1923
284		1923	1922
164		1922	1921
103		1921	

Data: Electrical World

© BUSINESS WEEK

last week, the glass strike carried on, causing considerable uneasiness.

General Motors, dependent on Libby-Owens-Ford for glass, is reported to have from one to two months' supply of that necessity on hand. One car maker, thanks to the foresight of its purchasing department, has been getting glass from abroad.

### Lewis Objects

In a meeting with Homer Martin, president of the United Automobile Workers, W. S. Knudsen of General Motors has taken the position that negotiations must be conducted between the union and the managers of individual G. M. plants where grievances exist. John L. Lewis, whose orders Martin is carrying out, has called Knudsen's stand "unsatisfactory", contending that the corporation should bargain centrally for all its plants.

Officers of the G. M. locals of the U. A. W. meet in Flint Sunday to draw up an agreement for submission to the G. M. management. If Mr. Knudsen declines to sign, the trouble which already has tied up three G. M. plants (Kansas City, Detroit, and Atlanta) may spread.

### Pushing Too Hard

**Lewis' weakness seen in attitude of Green, Roosevelt. First test is Guffey coal bill.**

**WASHINGTON (Business Week Bureau)**—John L. Lewis is just a little bit too far out in front for his own good. He is just a little bit too threatening to too many people, too annoying to others. William Green, president of the American Federation of Labor, comes under the first category—Franklin D. Roosevelt, President of the United States, comes under the second.

Every member of the House and Senate about to convene will understand the situation perfectly, if he does not now, before casting the first test vote. Yet the stage seems to be set at the moment for Lewis to win that first test—the vote on the new Guffey coal bill, to substitute for the one knocked out by the Supreme Court.

Congress will not know until it has been in session for some months whether Lewis really has a chance to organize the steel industry—the toughest nut he has ever attempted to crack, and one which plenty of expert cracks-

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men have operated on vainly before. Until recently it was thought that the Gettysburg of the campaign to organize the automobile industry would have been fought and decided before Congress got into its stride. Latest word from Detroit, however, is that the auto makers now believe they can solve the problem presented by strikes and tieups in plants supplying them with vital parts—plate glass for instance.

#### Faces Mixed Opposition

But—win, lose, or draw—Lewis still faces a serious battle here in Washington, a battle in which will be arrayed against him many queer allies. President Roosevelt is distinctly annoyed with him—does not like the exaggerated estimate Lewis put on his own efforts in the recent election—does not like the idea of Lewis taking Lewis' own presidential boom for 1940 seriously. Nobody likes the fellow waiting around to take his job. He wants to keep it himself, or do his own picking. Even then he seldom is satisfied with the person picked very long. Witness Theodore Roosevelt and Taft; Coolidge and Hoover; Hugh Johnson and Donald Richberg.

Most of the Frankfurter boys have taken their economic cue from Justice Louis D. Brandeis. They dislike bigness—even in labor unions. They like to be for the underdog. Here again Lewis is too far out in front—is a menace to one of their favorite doctrines. They want the steel industry, and the automobile, and what not, all organized. But they don't want it done by Lewis.

Very potent on Capitol Hill, even if not so successful in the strategies of internecine union labor warfare, are the followers and friends of William Green. Their viewpoint is precisely that stated by the Frankfurter boys, with two exceptions. They do not object to big and powerful labor unions,

but they want to be running them. They don't want Lewis around. The other exception is that they care very little about the underdog—meaning either the unorganized laborer or the consumer.

Green has done nothing to antagonize the Frankfurter group, or the President. Quite the contrary. He has no presidential ambitions. He has fought always for the things union labor stands for, for its traditional policies. Moreover, personally he was just as strong for Roosevelt and the New Deal as was Lewis.

Another little point is that Green has made almost no personal enemies, either in labor, employer, or governmental circles. Lewis has a swarm of enemies in all.

All of which has no connection, theoretically, with any of the problems at issue. But it has plenty to do with how these problems may be settled. Its influence will be found affecting every governmental act, every vote in House and Senate, every committee hearing that may be held.

So that this underlying motive, affecting so many people, is vitally important in view of the conviction on the part of many shrewd observers that Lewis can only win his fight against the

steel companies if he has the active support of the federal government.

Meanwhile some of the coal interests are making every possible effort to rally other industries, all if possible, behind them in their fight against the Guffey bill. The appeal of the coal people who oppose the Guffey bill is that it will be but an entering wedge, that it will be followed if successful, by similar laws for other industries, thus arriving at a new NRA piecemeal.

#### Ready for Battle

Influence of this group on Congress does not promise, at the moment, to be very effective. But the vote on the Guffey bill will not be a clear test. It is opposed by a powerful minority, in sympathy with Donald Richberg, who believe that another method of providing for a substitute for NRA would be much more desirable. It is favored by some coal operators who see economic salvation in the price fixing provisions. It is favored by several groups having no sympathy or liking for Lewis whatever.

By the time that battle is over, however, the time will have arrived when it will be possible to judge how the tide of battle in steel and automobiles is running with the Lewis forces.

## Next Step in Curbing the Boom

An early boost in reserve requirements is in the cards, and then the Federal Reserve Banks may sell part of their holdings of government bonds.

THE Christmas rush is over. New Year's Eve celebrants presumably have had their fill. Now, holiday currency should be returning from circulation—after bouncing the total up to \$6,700,000,000. For the banks that means two things: (1) an increase in deposits;

(2) an increase in excess reserves. For business, it means watch out for something new in the way of credit control.

The Board of Governors of the Federal Reserve System is expected early this year to take care of the excess reserve problem by boosting reserve requirements of member banks another 33 1/3%. That would reduce the reserve surplus to about \$1,000,000,000. (BW—Dec 12 '36, p 12). But it would not affect the bumper deposit crop, which is itching for work and might be used for security speculation.

Reserve authorities, however, can kill two birds with one stone by selling some part of the \$2,430,000,000 of government bonds held by the Reserve Banks. That would be the next logical step in managing the country's credit—after the second boost in reserve requirements. So far, the control measures have been numerous; jumping margin requirements on securities; boosting reserves; sterilizing gold through sale of Treasury bills when bullion comes to this country (BW—Dec 26 '36, p 43).

Normally, the Federal Reserve Banks would be logically assigned to sterilize

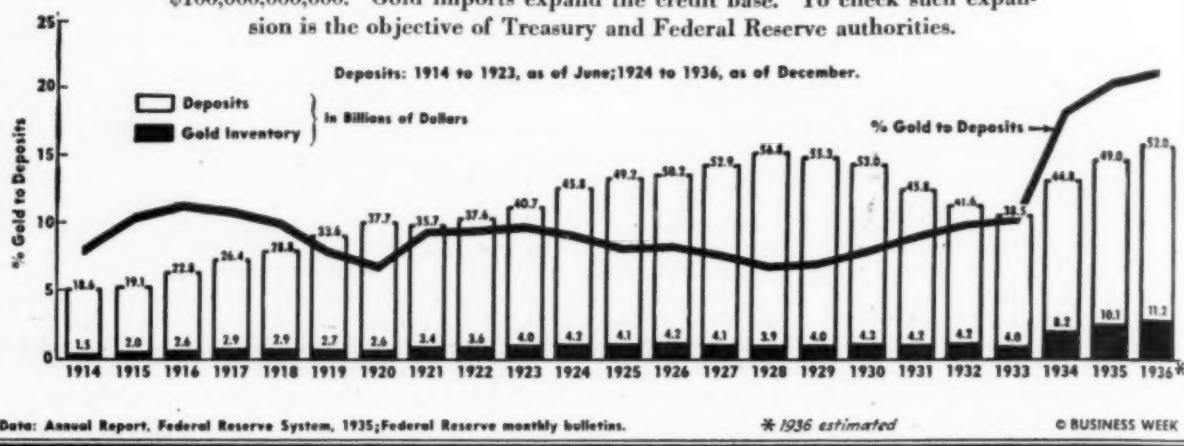


Wide World

ON THE STEEL FRONT—While the C.I.O. lieutenants in the automobile plants are busy talking strike, the steel organization drive moves on. Philip Murray (second from left), leads the campaign; workers' council representatives are Elmer Maloy (left), president; Thomas Kane, secretary; and William Garrity (right), vice-president.

## WHY STERILIZE GOLD?

In the first 20 years of the Federal Reserve System, the relation of gold to bank deposits held fairly consistent—around 10%. That is, \$1 of gold to every \$10 of bank deposits. But since 1933, the rise in monetary gold has far outstripped the rise in bank deposits. On the basis of the country's present \$11,200,000,000 gold inventory, deposits could soar to the enormous total of more than \$100,000,000,000. Gold imports expand the credit base. To check such expansion is the objective of Treasury and Federal Reserve authorities.



gold. But the Reserve Banks are in no position to take care of gold exports as well as imports. They hold too large an amount of government bonds. And though they could sell part of these holdings to nullify the effect of incoming gold it would hardly be sound policy for the Reserve Banks to buy additional government bonds if gold left the country. That would supersaturate the already government-logged central banks.

In the case of the Treasury, however, it can do double duty in "sterilizing" gold bullion. If gold comes to the country, it can sell Treasury bills and draw down the deposit, thus cutting off the new gold from the credit supply; and if gold leaves the country, the Treasury can buy Treasury bills, thus replenishing the credit which was withdrawn from the country. In those ways, the Treasury will be acting as a combination force-and-suction pump.

### Plenty of Room to Grow

The necessity for cutting off further imports of gold from the credit base is indicated by the accompanying chart. Though the rise in reserve requirements has cut down the power of gold to support deposits, since bank reserves will not go as far today as they would back in July, nevertheless the expansion possibilities are tremendous. One dollar of gold will support \$2.85 of member bank deposit reserves in the Reserve Banks, and \$1 of deposit reserves will support about \$6.67 of demand deposits of customers in member banks.

The enormous increase in the country's gold stock has resulted in an extremely low ratio of gold to deposits.

For every \$1 of gold, there are less than \$5 of bank deposits, whereas in the past the ratio has held at about 1-to-10. To keep the ratio down is one of the problems which the Reserve Board and the Treasury must meet—and the machinery for doing so already is established.

The function will probably fall to the Reserve Banks. The result will be a peculiar division of responsibility. The Treasury will be busy sterilizing gold. The Stabilization Fund will be ironing out day-to-day fluctuations in foreign exchange (*BW*—Dec 26 '36, p15). The Reserve Banks will be keeping a rein on excess reserves and deposits through its open market operations.

### No Risks Were Wanted

That would reverse what occurred in 1932 and 1933, when the Federal Reserve Banks went in for heavy purchases of government securities in order to make money easy, force down interest rates, and generally aid enterprise by impelling the banks to lend money. Business conditions, however, were not conducive to the acceptance of risks. Either banks were reluctant to lend, or business men were hesitant about borrowing. In any event, it was not until 1935 and 1936 that the effects of easy money began to be felt in the form of business recovery and an expansion in bank loans.

Purchases of governments by the Federal Reserve tend to relieve banks of debt. The Reserve Banks buy securities from banks or individuals. This forces up deposits, creates member bank reserves. Conversely, the sale of government bonds by the Reserve would re-

duce deposits of individuals with banks or of member banks with the Reserve Banks and would tend to force member banks to go into debt to the Reserve Banks, by rediscounting in order to bolster their reserves. In this way, a check upon lending proclivities of member banks can be exerted.

Whether the Reserve Banks will resort to a selling program depends entirely on credit developments, particularly speculation. But if the Reserve and Treasury are serious about curbing credit and speculation, open-market sales of the huge holdings appear to be the next logical step in the "restraint" policy (*BW*—Dec 26 '36, p15). And for the business man, the Federal Reserve government portfolio is something to watch. It may become, in effect, an index of how earnest the Administration is in curbing the boom.

### Commentator, Magazine

A two million circulation, such as that of the Readers Digest, has its special significance; it indicates the existence of a profitable market for popular culture of the non-fiction variety. In the past few months two new publications, *Life* and *Coronet*, and one revitalized one, *Mid-Week Pictorial*, have been aimed, more or less directly, at this market. This month, a fourth will make its bow. *Commentator* is its name, and the first issue, out Jan. 20, will have 128 pages of comment on a wide variety of subjects, à la Edwin C. Hill et al. Like the *Digest*, it will rely exclusively on circulation revenue (\$3.00 a year, 25¢ a copy) to pay the bills.

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JANUARY

# "Unforeseen events . . . ~~need not~~ so often change and shape the course of man's affairs"



"Yellow fever death toll soars. Work on Panama Canal Stopped. Millions lost through unforeseen epidemic."

Those words never appeared on the front pages of 1910 newspapers...as they might have. Engineers foresaw the danger of a yellow fever epidemic in the Canal Zone, and planned against it.

Less publicized than that heroic work in the Canal Zone are the ways in which The Maryland and other casualty companies are today foreseeing the hazards which constantly threaten business and industry. Not content with cushioning the effect of the unforeseen event after it occurs, The Maryland makes every effort to foresee the event...and whenever possible to prevent it.

To this end, skilled Maryland safety engineers plan against the danger inherent in huge machines and modern power plants, coupled with man's own imperfection. A corps of 4,000 Maryland physicians constantly strives to foresee the hidden causes of accidents.

Human enterprise, too, is open to business hazards, and The Maryland helps plan against adversity with sound bonding practices, more complete protection for banks, and by guaranteeing the completion of construction projects.

In every state in the Union, in Alaska, Canada, Cuba, Puerto Rico, the Canal Zone and Hawaii, The Maryland is proving that unforeseen events need not change and shape the course of man's affairs.

## THE MARYLAND

MARYLAND CASUALTY COMPANY • BALTIMORE • SILLIMAN EVANS, PRESIDENT

The Maryland writes more than 20 bonding lines, including . . . Fidelity . . . Bankers' Blanket . . . Contract . . . Check Alteration and Forgery . . . Depository . . . Fraud . . . Public Official Bonds . . . Judicial. More than 40 types of Casualty Insurance, including . . . Aircraft . . . Engine . . . Automobile . . . Burglary . . . Boiler . . . Elevator . . . Accident and Health . . . Fly-Wheel . . . General Liability . . . Plate Glass . . . Electrical Machinery . . . Sprinkler Leakage . . . Water Damage . . . Workmen's Compensation.

# View '37 as Record Truck Year

**1936 sales were all-time high, going far above '29. This year is expected to be even better. Manufacturers can't meet the demand.**

**DETROIT (Business Week Bureau)—** Achievements during 1936 in the commercial car and truck business haven't been trumpeted so loudly as those in passenger cars, but the fact is that sales have set an all-time high, domestic registrations being about 600,000 units. 1929 was the best previous year with sales of 527,057 units. What is still better, prospects are that '37 will surpass '36 by a comfortable margin.

Truck makers are enjoying an unprecedented boom. It is no exaggeration to say that their sales this year will be limited only by their capacity for building cars. Total American and Canadian production, for domestic and export sale, in the past year is tentatively put at 800,000 units; the more optimistic sales executives assert that they could sell one million units in 1937 (domestic and export) if the industry could make them, but it hasn't the capacity. The result is that there will be plenty of business for everybody.

## Postponed Showing

Desiring to avoid any counter-attraction which might share the spotlight

with passenger cars, some companies deliberately held off 1937 truck introductions until January. They stocked dealers and sold quietly to the public in November and December, but reserved formal announcements until later. The next few weeks, therefore, will bring public presentations of new truck models by such companies as Chevrolet, Dodge, and General Motors Truck. Despite a liberal production schedule of trucks since Nov. 1, at least one company faces the problem of going into the announcement period with only 5,000 trucks in the hands of some 10,000 dealers. Its January operations will nowhere near supply the demand.

## '37 Truck Fashions

1937 trucks stress such features as streamlining, greater payload, economy of operation, comfort for drivers, dependability. Ford has its sales eye on a 300,000-unit goal (foreign as well as domestic) with the buyer given the option of purchasing a commercial car with 60-hp. economy engine for light-duty work or an 85-hp. V-eight engine for heavier operations. The difference

between the factory list prices of the two trucks is only \$10, which probably is nearer the actual difference in production costs than the \$30 spread maintained in passenger cars.

Chevrolet is hitting for domestic sales in '37 of 225,000 units, is making a strong sales appeal on the basis of new streamline styling, increased load space, and improved load distribution. Completely new all-steel truck bodies are engineered and built in Chevrolet's new commercial body plant at Indianapolis. For the first time having produced more than 100,000 units in a single year, Dodge has a complete series of snappy models to offer.

Companies which made their reputations in the heavy-duty trucks are continuing to round out their lines and dip still farther down in price class. General Motors Truck, which is closing its most successful year, is putting on the market for the first time a 112-inch wheelbase half-ton truck priced at \$395, f.o.b. Pontiac, for the chassis. It has a complete line of cab-over-engine models; the 1½-ton model priced at \$830 with cab is said to be the lowest cab-over-engine truck on the market. Mack is progressing satisfactorily with sales of its Junior models. White has just closed a spectacular year with its White and Indiana models. International, one of the Big Four, has made notable gains, while Studebaker has done exceedingly well.

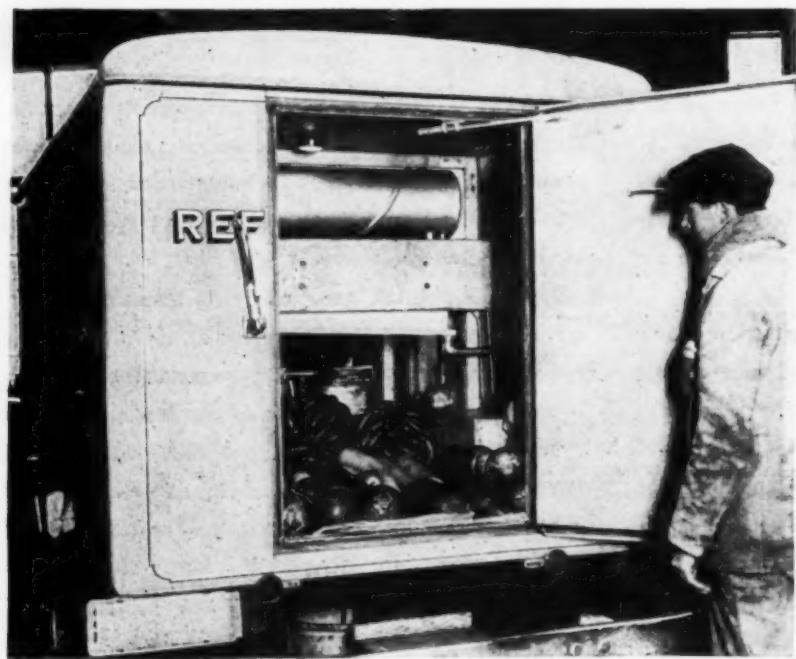
Where is this outpouring of truck orders coming from? The answer is from everywhere. Normally farmers use 26% of all trucks, the construction industry 14%. Both are back on their feet again, although farmers are farther along than the construction people, and their purchases are large. Railroads are using an increasing number of trucks in providing a complete transportation service. Commercial haulers, retail merchants, and highway construction companies are active buyers.

## New High in Registrations

Registrations of motor trucks will reach a new high of 3,800,000 units in '36 because of enormous replacement buying plus inroads made by the motor truck on other forms of transportation in competition for economical haulage. Many companies have rebuilt their shipping facilities to permit the handling of freight by truck as well as by rail and water.

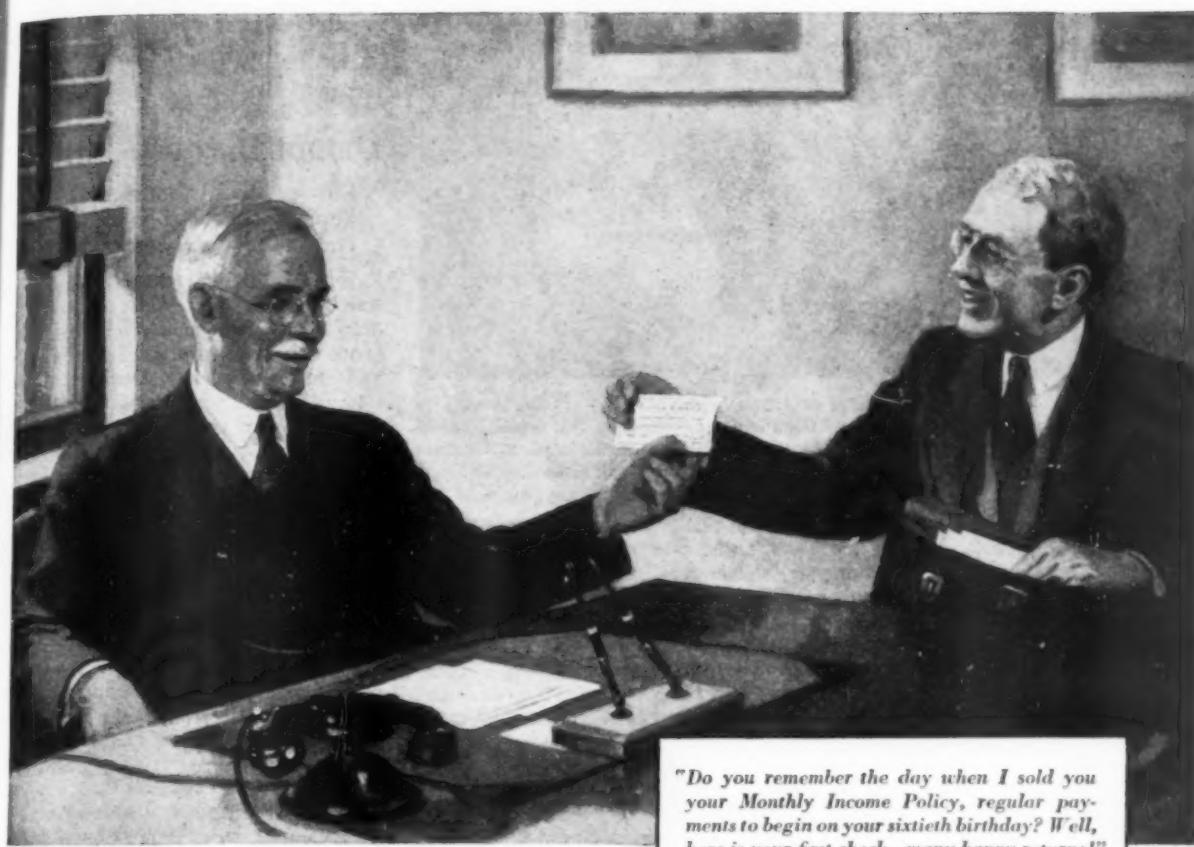
The federal government's purchases may be sizable, especially if the War Department proceeds with its motorization program. However, the government can bank on one thing—it will have to pay stiffer prices than it has been accustomed to recently, when it has hammered competitive bids down close to a no-profit level.

Anticipating a flood of business, truck makers have been strengthening



**NO ICE, NO MOVING PARTS**—Newest patented refrigeration for trucks (and eventually railroads) utilizes anhydrous ammonia evaporating and expanding through finned tubes into water, thus absorbing heat from truck interior and giving a merchantable byproduct, aqua ammonia. As projected by General Frigid Transportation Corp. and Knickerbocker Ice Co., New York, truck drivers will stop at filling stations for new charge of ammonia as they stop for gasoline. Newly-invented transfer valve assures smell-less charging and operation.

# "Homing" Dollars...



*"Do you remember the day when I sold you your Monthly Income Policy, regular payments to begin on your sixtieth birthday? Well, here is your first check—many happy returns!"*

YOU, like most of the other readers of this advertisement, will reach your sixtieth birthday. Have you arranged to receive monthly income checks regularly when you reach this age?

That's a fine thing about life insurance—it can provide not only protection for dependents, but guaranteed incomes for policyholders in their own later years.

Protection suitable for your family and yourself requires careful planning. Individual circumstances, obligations, and ambitions must be taken into consideration to determine how many "homing" dollars will be needed.

If you want to be certain that you and your dependents will get the most out of life insurance, ask a Metropolitan Field-Man to help you prepare a "tailor-made" Program to fit your

personal requirements. Telephone the nearest Metropolitan office and ask him to call. Or mail the coupon.

*The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.*

*The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.*

Metropolitan Life Insurance Co.  
1 Madison Ave., New York, N. Y.

Without placing myself under any obligation, I would like to have information regarding a Life Insurance Program to meet my needs.

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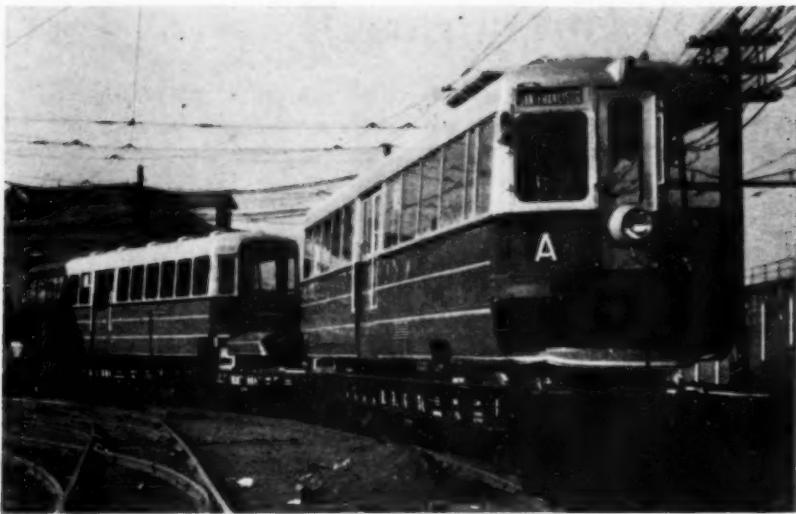


## METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER  
Chairman of the Board

ONE MADISON AVENUE, NEW YORK, N. Y.  
Copyright, 1936, by Metropolitan Life Insurance Company

LEROY A. LINCOLN  
President



**SWINGING OUT TO 'FRISCO**—Pivoted on three flat cars, one of the 88 two-car articulated units built by Bethlehem Steel Co. for the new 8½-mile San Francisco-Oakland Bay Bridge, is shipped out from the company's Wilmington, Del., plant. Cars are streamlined. Powered from a third rail on the bridge, a pantograph is used in Oakland.

their dealer organizations. Companies with passenger car dealers are in the best position, because they can draw on them to sell trucks. Strictly truck companies are trying, wherever possible, to hook up with passenger car dealers. Example: General Motors Truck is soliciting Pontiac, Oldsmobile, and Buick dealers.

Diesel-powered trucks are beginning to make themselves felt in the sales total. They have sold briskly on the Pacific Coast for heavy-duty hauling. Diamond T now has regular diesel-engined units in production. It is well-known in Detroit that Chrysler has a diesel truck perfected and may market it in the next year. General Motors remains somewhat skeptical about introduction of light diesel trucks in the next year or two. Nevertheless Chevrolet is among the truck builders selling diesel-engined trucks (using Hercules motors) for export.

## Sears Surprises

**As prices generally rise, sales flyer reduces them; better production schedule given credit.**

SIGNIFICANT price revisions and startling innovations in merchandise and catalog technique characterize the mid-winter "flyer" or sales book, which is now being mailed by Sears, Roebuck and Co. to 10½ million of its customers, the biggest mailing in recent years.

Bucking the current trend of prices, which is decidedly upward in all lines of consumer merchandise, Sears is making a bid for extra sales volume with price cuts that range from 5% to more than 22% and average 9.93% lower than prices for similar goods quoted

in the Sears "Fall and Winter" catalogue that was mailed last July.

Reductions on specific lines are: Linen goods 5.39%; rubber goods 6.81%; enamel ware 7.18%; books and office supplies 7.86%; cotton goods 7.98%; rayon 10.2%; rubber tires and tubes 10.7%; iron and steel 10.19%; electrical appliances 11.46%; floor covering 12.83%; paints 16.46%; drugs 22.23%.

### Behind the Reductions

For students who have wondered how recent legislation aimed at mass buyers, Federal Trade Commission proceedings, the Patman law, and various state fair-trade laws may affect the price policies of chains and such concerns as Sears, some of these price reductions bear particular significance.

For instance, reductions on rubber tires, coming at a time when standard tire manufacturers have raised prices, clearly indicate that Sears has been able to work out its tire production problems to a point where it can trim prices instead of boosting them.

Then there is the drastic slash of 22.23% on drug prices. This is expected to give champions of Patman laws and fair-trade legislation something to think about, because it shows what smart merchandisers of private-brand, fast-moving items may be expected to do when retailers of nationally-advertised goods jack up their prices under the protection of price fixing.

Commenting on price revisions shown in the "flyer," General R. E. Wood, president of Sears', says: "Commodity prices on most lines of merchandise have been showing steady advances. The price reductions shown in our flyers are hence not justified by

current trends. They do not reflect current market conditions nor, in our opinion, future market trends. They merely follow an old, established policy of offering merchandise at sale prices for a limited time to stimulate buying during an off season period, and of giving our customers the benefit of our advance buying."

## Drugs Divorce Lunch

**Chicago chain separates the two departments but makes store traffic sell them both.**

LAST week in Chicago when the Stineyway Drug Co. opened its 16th unit, a drug store-lunch (mostly lunch room), it not only carved a notch higher in the measure of progress made by drug stores in the restaurant field, but showed that its management believes in taking time by the forelock.

In the new unit Stineyway has attempted to put into practice what—in some states at least—may become compulsory by law, namely, the *visible* and physical separation of the fountain and food departments from the drug store proper.

Restaurant owners have found the growing competition from drug stores both painful and costly, and until recently did not know exactly what to do about it. But a smart member of the clan conceived the idea of urging local governments to require that departments serving food for consumption on the premises must be separated from other departments by partitions that extend to the ceiling. For most of the drug stores, that would mean at least a major and decidedly costly alteration job.

### Prepared for Future

Anticipating the possibility of divorce-decreeing ordinances for the well known drug store-restaurant combination—Stineyway designed the new unit on the separate maintenance basis.

From the Michigan Avenue entrance, the store looks like a highly up-to-date apothecary, possibly one that features cosmetics, because a cosmetics counter and display faces the entrance.

However, archways are discernable on both sides of the center display and these lead to the food and restaurant departments, with soda fountain, lunch counter, stalls with tables, etc. A lower floor is fitted out as a grill and private dining room.

Proponents of this new type of layout point out that it gives the drug departments the benefit of all the traffic that the food department attracts, with the added benefit of forcing patrons to pass through the drug, cosmetics and specialties departments in order to reach the restaurant.

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# Florida Influx

**Winter season starts with a bang, effacing bitter memories of the big slump and the disastrous real estate boom. 2,500,000 visitors hoped for.**

NEW YEAR'S finds the sandy and sunny state of Florida at what it calls the threshold of a new era. The state's chambers of commerce have welcomed many a new era before, but this time there is a genuine ring in the booster note.

For one thing, the tourist crop has burgeoned some six weeks earlier than usual. For another thing, real estate and building has been so active that at long last (as Windsor says) the state has come clear of the 1925-1926 boom debris. If the gods of business had all their investments in the state they could hardly have produced a better set-up than the present.

## European Unrest Helps

Shell fire along the Mediterranean keeps the cream of the spenders from that rival lolling ground. There was no big wind last fall to affright timid prospects in Northern motion picture theaters. Recovery has become so general that the forgotten word "prosperity" is being gingerly dusted off. And in the financial stratosphere folks are saying to each other:

"We might as well turn it loose as let the tax-snatchers have it."

So this year's crowd ranges from the owners of yachts that look like Cunarders to the Joe Doaks who flee in the family trailer to save the coal bill for the home in Duluth. In one 10-mile stretch of the Dixie Highway north of Miami there are 14 trailer camps. Ten of them opened this season. Motor traffic generally is said to be 25% ahead of last year.

Uncle Sam's bridge tender at Wabasso reports that intercoastal-canal travel is  $33\frac{1}{3}\%$  heavier than last year, though this official may be slightly confused from opening the span so often. In Miami, West Palm Beach, and other salt water cities, sardine conditions exist at docking points. Congestion is evident in spite of the Works Progress Administration (from which so many blessings flow). Fort Myers is feverishly completing a \$100,000 yacht basin, and federal largess helped Fort Pierce to extend its marine facilities.

The rustle of currency has become so loud that even Key West is wakening. This, our Southernmost city, suffered

the desertion of its cigar manufacturing business, the discontinuance of its railway ferry to Havana, and finally the severance by hurricane of its Atlantic Coast Line rail connection. In recent years it has intelligently promoted its delights for fishermen. The 1935 tourist business was the best in 10 years and this season should be even better.

But greatest expectations are roused by a dramatic plan to utilize the broken and abandoned railway viaducts over the keys as an automobile road. Work has started on this project (thanks again to WPA), which will cost over \$3,000,000. All Key West needs for a real come-back is a road for the restless millions of motorists.

## Transportation Peaks Advanced

Florida is planning for 2,500,000 visitors this season. Miami reports that the early rush has forced railroads, bus lines, airways, steamship companies, to begin their peak schedules 15 to 30 days ahead of other years.

Hotels in the Miami district expect a 25% increase in business over last year. This area set a 10-year record with a \$21,000,000 building outlay since Jan. 1, 1936. Some 6,000 new housing units have been added. In Miami Beach the building in hotels, apartment houses, homes has been something to wonder at.

Henry L. Doherty, the utilities-oil-hotel magnate, stands to do very well on the properties he picked up during the slump. His Miami-Biltmore opened on Nov. 26 and regular guests have been far ahead of last season. The Roney Plaza reported almost a double number of early guests. Mr. Doherty's publicity boys are credited with taking the lead in stretching out the tourist season — which Florida has hankered after for years.

## Season is Six Months, Now

Instead of the old fashionable period of 60 days (ending with February) big hotels now are open from November until May. The extension has been accomplished by intensive promotion of sports events, conventions, the playfulness exemplified by movies of beautiful blondes frolicking in skin-tight bathing suits. The general betterment is indicated by the current booking for conventioners in hotels at a minimum of \$10 per room, double, European plan. (They used to be glad to get this business at \$5 per.)

West Palm Beach is an example of a town that is getting well from the ills of the 1926 boom. This foolishness saddled the town with a \$20,000,000 debt which has finally been compromised. The settlement provides a 25% saving in principal and a 2% saving in interest. For the first time since 1929, West Palm Beach is advertising for tourists. Real estate activity has been greatly stimulated since investors now



STEEL RISES ON MAN-MADE ISLAND—San Francisco's 1939 World's Fair is under construction in the bay, with the beginning of the first of two huge steel hangars, 335 by 287 ft., the first of a big building program. Its site is a new island.

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know what they are up against in taxes.

It is said that practically all the distress property on the lower East Coast has been absorbed. Having gone through the wringer, hotels, apartments, homes are in the hands of new owners who are able to rejuvenate them since they were acquired at bargain prices. Because of such boom improvements as streets, lights, sewers, utility installations, many towns can double their populations without heavy expenditures in these categories. West Palm Beach has about 15,000 vacant lots already supplied with these services.

Florida farmers have been doing all right, too. For the first eight months of 1936 sales of produce totaled \$76,856,000, a gain of more than \$11,000,000 over the same period of the previous year. The citrus crop alone brought \$42,800,000 in 1935.

## Depositors Must Pay

Banks to increase service charges, because of new definition of "interest."

JUST a year ago—Jan. 1, 1936—the Federal Reserve's regulation Q, subsection (f) of section 1, was to have gone into effect. That was the rule prohibiting payment of interest on demand deposits by member banks. But its application was delayed for 13 months—until Feb. 1, next—because of the difficulty of defining "interest."

Meanwhile the Reserve authorities have been studying, drafting and re-drafting. Now they have perfected their definition of some 289 words and, while bankers still aren't sure about exactly what is covered, they are inclined to believe that the upshot will be more service charges. And these charges may be inflicted on the larger deposit accounts—the kind of accounts which corporations carry and which have always been prized as profitable.

### Some Things It Means

It seems that "the term 'interest' means [to the Reserve governors] a payment, credit, service or other thing of value." They say: "i.e., expenses arising out of specific transactions for specific customers and definitely attributable to such transactions as distinguished from overhead and general operating expenses." Furthermore, "the term 'interest' includes the payment or absorption of exchange and collection charges which involve out-of-pocket expenses." The exception is made that "absorption of isolated items of out-of-pocket expense in trivial amounts and not of a regularly recurrent nature" is permitted to prevent friction and misunderstanding if the bank examiners are fully informed.

Now banking is a competitive busi-



*Business Week*  
STREAMLINED FOR THE LONG PULL—Novel in design, the tow boat "Carolyn" recently built by Pusey & Jones, Wilmington, Del., shipbuilders, is "streamlined" to obtain easier driving and to increase deck and navigation efficiency.

ness, and the banker doesn't like to tell a customer that he has to pay to keep a large amount on deposit. Hence there has been a tendency to absorb a certain amount of expense on good accounts, to assess the small-but-active checking balance. This resulted in at least two practices which may have to be abandoned if the new rule is enforced to the letter.

One of the practices in question involves a handy rule-of-thumb. Banks, in checking up on the obvious profit leaks, have counted the number of checks each depositor was writing and comparing their expenses (at, say, 5¢ a check) to the minimum balance on deposit. Many have followed the policy of absorbing the expense on big commercial accounts if the 5¢-a-check total didn't average more than 2% a year on the smallest amount the customer had on deposit in any given month. Now, under the new rule,

there is a strong question if that doesn't amount to "interest."

Another practice under scrutiny involves "non-par" exchange and collection—handling of checks drawn on a bank which charges for inter-bank transfers. In most cities, clearing house banks allow par payment to other members of the clearing house or to members of clearing house associations in other cities. But small-city and country banks don't always like the "par" idea. So banks absorb the charges for their big customers, sometimes even for small customers just to avoid argument and ill feeling.

It is generally conceded that the day of more and more service charges on demand deposits is coming; the present ruling may be only the signal rather than the cause. More service charges would be welcomed by Federal Reserve members if it weren't for the fact that state banks won't have to follow suit.

## U. S. May Regulate Natural Gas

If Rep. Lea's comparatively mild bill doesn't pass, the industry may get something harsher, as proposed by Federal Trade Commission.

WASHINGTON (*Business Week Bureau*) —Coincident with prospects that 1937 will be the biggest year for the natural gas industry since 1930 is revival of demand for federal regulation. Action by Congress on legislation that has gone overboard in the last two sessions now is likely—to the extent, at least (as proposed in the Lea bill), of regulating transportation and sale of gas at city gates by interstate pipe line companies that control both ends of the \$3,000,-000,000 industry. Much more extreme are the recommendations of the Federal Trade Commission.

Aggressive leader in the fight is John

W. Smith, chairman of the so-called Cities Alliance to obtain greater supplies of natural gas at lower rates, and president of the common council of Detroit, which obtained delivery service Nov. 7 of 90,000,000 cu. ft. a day from the Amarillo field in Texas. The city wants 225,000,000 feet and is urging sister cities to push for construction of another pipeline.

With odds in favor of Rep. Sam Rayburn's election as majority leader of the House, the chairmanship of the Interstate & Foreign Commerce Committee will pass to Rep. Clarence Lea, of California, sponsor of the bill favor-

ably reported last May placing jurisdiction over interstate transportation of natural gas in the Federal Power Commission. Originally, the Public Utility Holding Company Act passed in August, 1935, embodied practically identical provisions regulating the transportation and sale of natural gas as for electricity; but there was opposition to combining the two in one bill, legislative time was running short, the death sentence for electric holding companies was the popular issue, and the provisions with respect to natural gas were finally stricken out by Lea's subcommittee.

### More Teeth Wanted

Lea's new bill followed a report a year ago by the Federal Trade Commission that the present situation, characterized by wasteful production on the one hand and limited distribution of natural gas supplies, on the other, demands regulation of the business in behalf of the public interest. Lea's bill, however, is much more mild than draft legislation recommended by the Trade Commission and was allowed to die last session, not so much because of opposition from the industry, which is dominated by Columbia Gas & Electric, Cities Service, Electric Bond & Share, and Standard Oil of New Jersey, but because the advocates of legislation want a law with more teeth in it.

The Lea bill asserts, with little doubt as to its constitutionality, the jurisdiction of the federal government in a field of regulation not yet occupied, as the Supreme Court has held that the states have no authority to control the wholesale price of natural gas delivered by interstate high-pressure pipelines to city mains for retail distribution. This power is delegated to the Federal Power Commission by the Lea bill that, otherwise, is very limited in scope.

### Conservation Left to States

The bill does not cover production, leaving conservation and proration to be handled by state compacts. It does not cover local distribution, as the Supreme Court has held that the Federal government can't control the retail price of gas, nor does it cover the sale of gas for industrial use only. The commission is empowered to require extension of service in or adjacent to territory already occupied, subject, however, to the condition that extension does not unduly disturb existing service requirements or those reasonably to be anticipated, and does not impair the company's ability to furnish adequate service.

There is no provision requiring divorce of electric and gas operations of the same company, a significant omission in view of the fact that three of the Big Four holding companies are dominant in both fields. The bill does

not seek to make the pipelines common carriers nor even common purchasers. The Trade Commission's bill, of which more will be heard next session, would require the pipelines to buy ratably from all producers, in the belief that if they are not compelled to become common carriers they must assume some obligation to those who supply the gas to them.

The Lea bill prefers, however, to let the states tussle with this problem, with a narrow chance of success. The Supreme Court heard arguments Nov. 19 on the Texas law, intended to conserve gas resources by prohibiting waste and establishing ratable takings of gas by pipelines. The lower court has held that the first principle only is justified and that there is no sanction for proration orders or settlement of gas rights in the Panhandle field.

### Same Reasoning

To support state laws and state compacts for the protection of independent producers, the Federal Trade Commission recommends applying the principle of the Connally "hot oil" act by prohibiting introduction in interstate commerce of gas produced in excess of state quotas. With discretion as to time and place, the commission also recommends divorce of electric and gas operations, pointing out that the two chief sources of power and light are increasingly competitive. Incidentally, the same reason was advanced by Floyd C. Brown, general manager of the Natural Gas Pipeline Co. of America, as an argument against federal regulation, in hearings on the Lea bill held during the last session.

### What Auto Industry Buys

THE automobile industry, largest and insatiable consumer of the products of other industries, in 1936 used 75% of the rubber industry's production, and 72% of the glass industry's output of plate glass, Daniel Reeves, vice-president of the Automobile Manufacturers' Association, reveals.

Percentages of total outputs of other industries used by the automobile industry in 1936 follow:

Steel	22
Hardwood Lumber	7
Copper	17
Lead	35
Zinc	15
Tin	13
Aluminum	16
Nickel	28

Cotton fabric used by the motor industry amounted to 226,000,000 lb. Motor vehicles consumed 89% of the oil industry's gasoline production, and 3,525,000 carloads of automotive freight were shipped over American railroads.

OVER 1000 THINGS  
WERE DESTROYED



### COULD YOU RECALL THEM FROM Memory?

Try to recall, from memory, the thousand and one different items in your home. Hard, isn't it? Yet in case of fire, that's exactly what you'd have to do. Your fire policy states that a complete list of destroyed property must be filed with the insurance company before a settlement can be made.

FREE! "Household Inventory" a convenient record book for listing each item in your home, room by room. A post card will bring your copy.



The CENTRAL  
MANUFACTURERS' MUTUAL INSURANCE CO.  
80X45 VAN WERT, OHIO  
C. M. PURMORT, PRESIDENT



Most people think of explosives as war munitions— instruments of destruction.

As a matter of fact, only a negligible fraction of privately manufactured and none at all of Atlas explosives are made for munitions.

Commercial explosives today are a constructive force in the economical and efficient building of roads, tunnels and dams; in the mining of metals; in production of fuel; in quarrying; in forest conservation; in water and erosion control; in farming, and innumerable projects destined to raise living standards.

Of course, the manufacture of explosives is only one phase of Atlas' industrial activities. Yet, Atlas, both in laboratory and field, is contributing no small part of the advances in employing explosives to promote projects destined to add to rising standards of living.



ATLAS  
POWDER COMPANY  
Wilmington - Delaware

# What to Do About Capital Gains?

**This puzzling tax question dates as far back as the Civil War, and now Congress will have another crack at it and may amend the law.**

CONGRESS, this month or next, will have another fling at the pernickety capital gains tax. This is a recurrent item on the legislative budget; but seldom, if ever, is anything radical done about it—simply because politically it's easy to conceive of "soaking the rich," and once that's done it's hard to conceive of not soaking them.

The capital gains tax is not new. As far back as the Civil War, profits realized on the sale of securities or property were used as a lever to pry dollars away from well-to-do taxpayers. And ever since, the courts have been trying to determine what is and what is not a capital asset.

## Delicate Distinctions

Hairlined are distinctions such as these:

A share of stock owned by a corporation or an individual is a capital asset; the same share of stock, in the hands of a dealer in securities, is not.

A diamond ring, if owned by an individual, is a capital asset; is not if it's a jeweler's stock in trade.

A derrick, owned by a contractor, is; a derrick as inventory of a derrick manufacturer, is not.

A piece of real estate, owned by an individual, is a capital asset; owned by a person engaged primarily in building or realty, it is not.

Apparently, the purpose in ownership determines whether a piece of property is to be regarded as a capital asset. If the property is clearly held for resale, then it is not a capital asset; if the property is held as a possession, or as an investment, it is a capital asset. (And it is curious that in Great Britain and most European countries, exactly the opposite approach is taken. For instance, a security owned by a dealer is a capital asset; held by an individual, for investment, it is not.)

## Changes in the Law

The angle of speculation also comes in. From 1913 to 1921, capital gains and losses were not distinguished from regular income; but in 1916, losses were allowed only to the extent of gains; and in 1917, losses were permitted in full. Then in 1921, Congress made a distinction based on the length of ownership. Property held for more than two years—presumably non-speculative—was accorded special treatment.

The taxpayer was permitted to segregate capital gains income from ordinary income, if the property were held more than two years. A flat tax of 12½% was imposed on the capital increment. This was a substantial reduction for taxpayers whose income fell in the high surtax brackets; and at the same time, full reduction was allowed for capital losses, and this was a windfall to taxpayers whose property losses offset large other income.

In the 1932 law, there was a radical departure. Capital losses were permitted to be taken only to the extent of gains, but it was permissible to carry over losses to apply against gains the next year. In 1933 the National Industrial Recovery Act, because of the emergency need for revenues, eliminated the carryover.

Congress, all this time, recognized that a differentiation was in order between securities held a long time and a short time. The two-year time limit was too arbitrary. And the Revenue Act of 1934 tried to remedy this by levying a tax against a percentage of capital gains—the percentage dropping in inverse ratio to the length of time property (or securities) had been held. The theory behind this had been enunciated by a special investigating committee as far back as 1928. The committee said:

"The tax on capital gains should approximate the tax which would have been paid if the gain had been realized in uniform annual amounts." Similarly,

there should be an equalizing allowance for losses. But the Revenue Act of 1934 (and the act of 1936) did not attain all the objectives. Losses would reduce taxation only to the extent of capital gains (as had been true theretofore), plus \$2,000. This was relief to the small taxpayer.

Regular taxes and surtaxes now apply to 100% of the gain on property held less than a year; to 80% of the gain from one to two years; to 60% from two to five years; to 40% from five to ten years; to 30% on property owned more than ten years.

This has the tendency of postponing sales of securities and other property, on which profits have accrued, if the securities have been held only a short time. It tends to hasten the acceptance of losses, if there are offsetting gains.

For the Treasury, the law produces irregularity in income; and as for the taxpayer, he pays taxes on gains in good years when he can afford taxes, but gets no relief in bad years, when he has sustained losses.

## Where the Temptation Lies

Congress is likely to consider a plan to permit carrying over losses. Further, the legislators may decide to graduate even more slowly the percentage of gain to which taxes apply. In that way, securities holders will not be tempted to defer sales for tax purposes. As the Treasury, the Federal Reserve and the Securities and Exchange Commission are worried about securities market stability, something may be done. As things are now, the temptation to withhold securities from the market, because of the tax burden, is great.

The undistributed earnings tax, moreover, will play an important part in any change. If corporations adopt a policy of paying out a large part of their earn-



**WHERE BEDLAM IS WELCOME**—Only when feverish excitement grips the New York Stock Exchange do brokers profit. A candid camera scene of the 'Change, showing brokers trading at the posts, the famed "U's" which are again making headlines.

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ings, then appreciation, because of plowed-back earnings, may not be large. In that case, capital gains taxes may become extremely small in producing revenues for the Treasury; and since revenues are the ultimate purpose of the tax, it may be dropped altogether.

## Join to Test Plastics

Manufacturers and government experts will cooperate to assure accuracy.

WASHINGTON (Business Week Bureau)—Cooperation under technical leadership for the furtherance of the plastics industry is assured. Big manufacturers and government specialists are going to establish a joint committee under the auspices of American Society for Testing Materials.

Specifications and test methods in contracts have been haphazard. Often the methods chosen have been adapted from metallurgical practice, with decided handicap to the plastic maker. Often tests suitable for one plastic have been tried out on other new compounds to the mutual embarrassment of producers and buyers. Fixing up difficulties like this is an everyday job for A.S.T.M. It has always been a common meeting ground.

### All Angles Represented

As chairman of the organizing committee, Warren E. Emley, one of the division chiefs of the National Bureau of Standards, is surveying the field thoroughly. The committee his group selects will represent producers, users, and impartial agents like consultants, professors, and government experts. Under the rules of A.S.T.M., the permanent committee must always be made up of a majority of non-producers.

The cellulose plastics manufacturers' association has agreed to cooperate. Informal agreement from numerous makers of other newer types of plastics has been forthcoming. The cellulose group, consisting of duPont, Fibroloid, Celluloid, and Nixon Nitration Works, has been a dominant trade unit. Because of the multitude of new types of plastics, ranging from Bakelite through urea, casein, Glyptal, Vynilite, and a score of others, the cellulose group sees its dominance waning, even though its business is maintained. Every new plastic contributes a flock of new properties, with corresponding new possible applications. Hence the new compounds go into hundreds of applications not previously open.

Mr. Emley is anxious to have the new committee work established on a basis of fundamental investigations. Performance properties of the plastics of interest to the users will be studied.



BEATH STUDIOS

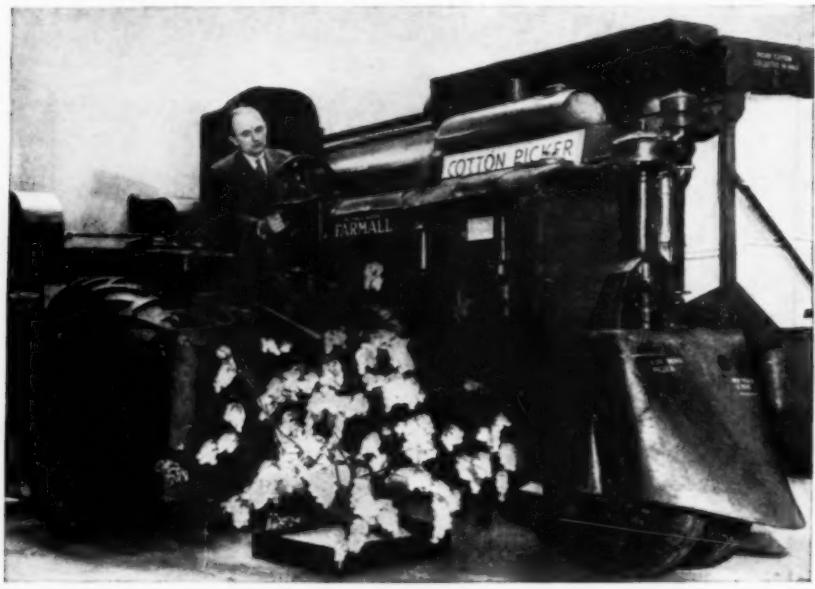
# Rattler

Unlike the rattler who warns of impending danger, ever-present hazards to business, such as robberies, embezzlements, forgeries and costly accidents strike suddenly and without warning.

For 52 years, Standard of Detroit has protected business and individuals against the financial consequences of unseen hazards, until today over a million persons are protected through some form of its Casualty Insurance or Bonds.

Kinds of Insurance written: Automobile \* Personal Accident and Sickness \* Burglary Holdup \* General Liability \* Plate Glass \* and Fidelity and Surety Bonds

**STANDARD**  
**ACCIDENT INSURANCE COMPANY**  
*Standard Service Satisfies*



## Crop Insurance Gets Okay

**President's committee approves plan and recommends that for the first year it be limited to wheat crop, all payments to be in wheat.**

WASHINGTON (*Business Week Bureau*)—Crop insurance, latest Administration boon to the embattled farmer, moves another step along the road to realization with the submission to the President of a report recommending the application of an all-risk, limited coverage plan (not including price insurance) to the 1938 wheat crop, and further study of the possibility of including other mass agricultural products.

### Scheme Seems Sensible

Aided by Department of Agriculture experts, the President's committee has assembled past experience; consulted with farm leaders, insurance executives, and representatives of other government departments; evolved a scheme which, on paper, seems to make sense. How it will work out in practice only a trial will tell, for past experience with crop insurance has been limited to a few tentative experiments on a very limited scale, involving concentrated hazards not to be anticipated in a nation-wide program.

The proposal (*BW—Sep 12 '36, p. 10*) guarantees to each participating farmer a definite proportion of a normal crop from his wheat acreage, regardless of his actual harvest. To procure this he pays the government an annual premium, in wheat, calculated to balance his claims over a period of years. Administration costs and storage charges are to be borne by the government, this being justified by an expected decrease in the rural relief load and by the anticipated benefits to the general public

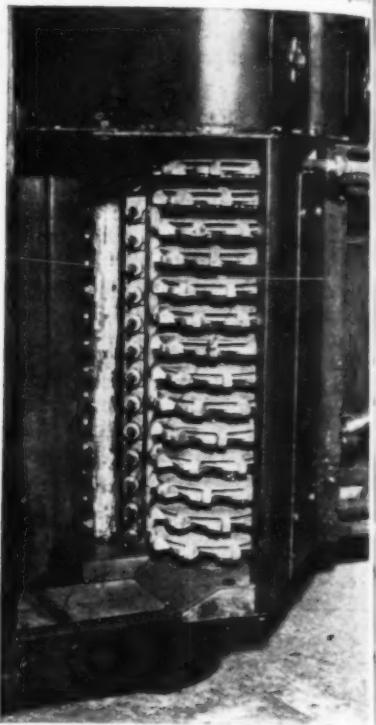
resulting from a more stabilized agricultural economy.

Application of the plan to each farm will be in the hands of the county committees already in existence as parts of the Agricultural Adjustment Administration's original production control and its successor, the soil conservation program. Premiums will be based upon performance records now available, in general, for the past six years; as experience data increases, the figures will be modified to the longer base. While it is admitted that a six-year base is inadequate, proponents of the plan point out that, for most farms, records dating back further are not available; that previous crop insurance efforts did not even have the benefit of this short-term record. To modify the effects of individual crop failures, the farm records will be weighted to reflect the county-wide wheat yield.

### County-Unit Avoids Trouble

By having each county a separate unit in the nation-wide scheme, a number of difficulties will be avoided. Stable-yield areas will not be penalized for the added risk in sections where loss-frequency is high. Counties where the plan does not attract general participation can be eliminated from the plan, thus obviating abnormal administration costs. Attempts to beat the government will be carried on under the sharp eyes of neighbors interested in the plan, and subject to penalties in the form of higher future premiums if the offender is successful.

**REVOLUTION IN THE DEEP SOUTH**  
Of three successful mechanical cotton pickers in the news, this, developed and built by McCormick-Deering, International Harvester Co., is the only one backed by a world-wide manufacturing and sales organization. Over a million dollars has been spent to develop this machine which with its contemporaries, the Mar and John Rust picker (*BW—Sep 5 '36, p. 17*) and the Hiram Berry machine (*BW—Dec 5 '36, p. 29*) are destined to revolutionize the basic agricultural industry.



By setting both premiums and indemnities in kind, the plan eliminates the complication of price insurance which has wrecked previous attempts of this nature. Insurance of a definite dollar return per acre would mean potential losses in both high- and low-yield years; limitation to bushel yields means that indemnities will be due only in poor years. Furthermore, as regards the country as a whole, the tendency will be toward the payment of premiums in abundant, and therefore, cheap wheat and the collection of indemnities in high-priced wheat during periods of scarcity. Insurance reserves in wheat, rather than dollars, will protect the consumers against shortages and consequent high prices.

### Production Control Left Out

Production control is not included in the crop insurance scheme which, as contemplated by the committee, leaves the farmer free to plant and insure as much or as little acreage as he desires. But production control in some form or other is an Administration policy, as recently made clear by Sec. Wallace, and it is probable that participation in

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the insurance plan will be conditioned upon compliance with other agricultural restrictions, present and future.

Such details are for Congress to iron out when the proposals of the committee reach it. That a bill putting into effect the new plan will be introduced in the near future is a foregone conclusion; in fact, Sen. Pope has already announced his intention of sponsoring one. That the bill will be enacted is also a fairly safe bet, provided the farm lobby expresses its desire for the plan. Agricultural leaders, gathered in a special meeting to discuss the insurance problem, gave the effect of damning it by insisting upon the overwhelming importance of crop control, rather than crop insurance. But this was just after the election when the sky was the limit.

Now that all the enthusiasm has died down a bit, there are strong indications that sanity will prevail and that agriculture's spokesmen, regardless of what other plans they will back, will not neglect to push for crop insurance as one feature of the more abundant agricultural life.

## Dairy Margarine War

Fight between butter and its substitute is intensified by new tariff demand.

THE acrimonious debate between the dairy industry and the oleomargarine manufacturers is flooding the waste-baskets of editors, bidding for the friendly ear of state and national legislators, and giving definite promise of appearing in Congress at this session. It probably will first crop up in renewed demands for high import duties on imported oils and fats.

For the foreign oils provide the argument the dairy industry is using in an effort to swing the South into line against margarine. The claim is that oleomargarine manufacturers, using about 100,000,000 lb. of cottonseed oil annually, don't cut much ice in the cotton oil market. On the other hand, say the dairymen, the margarine people consume half again that much coconut oil, and that's bread right out of the mouths of Southern cotton farmers.

### To Force Prices Up

This strategy aims at higher duties on oil the margarine manufacturers use, therefore higher prices on their product. The idea is that higher retail prices for margarine will allow higher prices for butter. This fight is led by effective C. W. Holman of the National Cooperative Milk Producers.

But listen to the howl of protest he gets from the National Association of Margarine Manufacturers! Led by the secretary-manager, Charles H. Janssen,

they begin with the contention that butter making is no longer a farm industry; that 92 per cent of the butter that goes to the retail market is factory manufactured, and that of the 23 per cent of all butter made on the farm only 7.8 per cent is sold, the rest being consumed at home.

Now, they say in effect, we use farm products in making margarine. The butter factories buy raw materials from the farmers; so do we. Where's the distinction?

### Special Burdens Charged

Loud, too, are the complaints about placing special burdens on manufacturers and retail outlets of margarine. The idea of special taxes and licenses for making and selling the product is a burden on trade, a drain on the consumers' pocketbook, Mr. Janssen insists. Prohibitive tariffs on foreign oils used in margarine have a somewhat similar vulnerability, but ostensible protection of the American farmer isn't a subject that any pressure group cares to attack directly.

The taxes and licenses, though, are convenient targets. The customary thing is for a state to tax margarine which is colored or charge high license fees for its sale. Uncolored, of course, it doesn't look right on bread. And the licenses run to a point where it might be funny if it weren't deadly

earnest—the big dairying state of Wisconsin goes so far as to require the consumer of margarine to have a license.

The margarine manufacturers admit their advantages. The butter maker has to use his raw materials at once because they won't keep; margarine manufacturers can store their basic fats. Butter, once made, can't be kept indefinitely whereas margarine can be stored much longer. And the price differential is familiar to all.

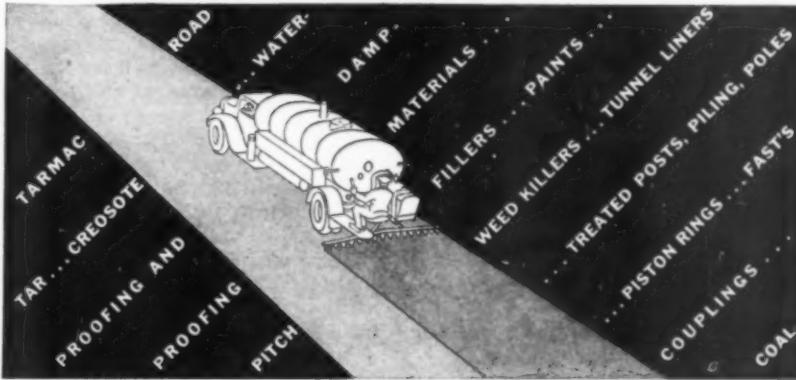
Infrequently mentioned is a deep-seated rankling in the craws of the margarine people—the very old federal law which requires them to use oleo in their name. Oleo dates back to the days when their product was made of beef fats and their derivatives, as the name oleo implies. Such fats play a negligible part in the trade today, and the margarine manufacturers are sick and tired of the appellation.

## Too Dry For Utilities

Power companies on Coast use more steam equipment because water levels are low.

MARK TWAIN'S often-quoted quip to the effect that everyone talks about the weather but no one ever does anything about it isn't holding good on the Pa-

## KOPPERS and the Road



Koppers contributes many products which go into the fine highways of today. It produces a great quantity of Tarmac road tar. It treats guard rails, posts, culvert timbers and other lumber with creosote and other preservative materials. It supplies waterproofing and damp-proofing materials for tunnels, underpasses, abutments and bridge floors . . . pitch fillers for brick and concrete pavements . . . paints for traffic marking and for use over creosoted wood . . . liners for highway and railroad tunnels . . . piston rings for road-working trucks and other gasoline and Diesel motors and steam cylinders . . . Fast's self-aligning Couplings for power shaft connections . . . and many other materials.

**KOPPERS COMPANY**  
**PITTSBURGH, PENNSYLVANIA**

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Construction Division  
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Eastern Gas and Fuel Associates  
Hiller Engineering and  
Construction Company, Inc.  
The Koppers Coal Company  
Koppers-Rheolaveur Company  
The Maryland Drydock Company  
The White Tar Company  
of New Jersey, Inc.  
The Wood Preserving Corporation

cific Coast, at least insofar as the electric power companies of that area are concerned.

Faced with the dryest fall in several years utilities in Oregon, Washington, and northern California are dusting off their "stand-by" steam plants and bring up equipment while hydro generation declines rapidly and demands for electricity are at their peak.

In western Oregon and Washington there is the lowest water level in power streams since the drought of 1929-30 when the dryest fall on record left some communities without street lights, private and public power resources were pooled, and the giant turbines of the aircraft carrier *Lexington*, moored at Tacoma, were used to generate electricity for Northwest industry.

### October Close to Record Dry

Since Sept. 1, the rainfall shortage in Oregon has been 5.22 inches out of a normal rainfall of 7.1 inch. Only .44 in. of rain fell in October, one of the driest Octobers on record. As a result, Portland General Electric is opening two steam units unused since 1930; Northwestern Electric, one. The former company's generation by hydro was 13% less in October, 1936, than the year before, and the first ten days of November brought hydro generation down 50%.

Normal rainfall for Seattle in September, October, and November is 9.29 inches. This season there has been 3.33 inches. Puget Sound Power & Light is using about 33-1/3% steam with the heaviest power load in its history. Seattle's City Light Department has had to ask for an additional appropriation of \$200,000 to buy fuel oil for the city's steam plant and to purchase power from Tacoma and other sources. In San Francisco, Pacific Gas & Electric has opened bids on construction of a 60,000 kw. steam generation plant in Oakland, across the bay. Southern California, with a flood of power from Boulder Dam, has had nothing to worry about.

### Fashion Flows

A NEW furniture merchandising plan has been announced by the B. P. John Furniture Corp. of Portland, Ore. Backed by a national advertising campaign, John's method centers around a "Fashion Flow Hall" to be maintained by each dealer for exclusive showing of the company's products. Prices will be uniform throughout the country and franchises will be given to but one dealer in each community. A natural-color film of the John plant and Fashion Flow furniture has been prepared to instruct retail distributors in creating the "atmosphere" with which the company hopes to surround its products and heighten their appeal.

# Can't Cut Relief Rolls

Only alternative to continuance of present outlay is cash dole, and Roosevelt opposes that. Private reemployment hasn't reduced WPA burden.

WASHINGTON (*Business Week Bureau*)—If the Administration's tentative move to trim relief rolls was a trial balloon, the countrywide protest was conclusive evidence that there is no escape from reality. There is no hope of any immediate reduction in the government's outlay, especially since President Roosevelt is confronted with proof that increasing employment in private industry does not visibly affect the load carried by the Works Progress Administration. Despite a gain in private employment since July 15 of 866,000, as reported by the United States Bureau of Labor Statistics, the number on WPA rolls has increased since then from 2,255,898 on June 27 to 2,384,204 on Dec. 5.

The President can only choose to give Harry Hopkins a practically free rein to continue WPA in full vigor unless he is willing to revert to direct relief by a cash dole. This "out" has not been given even momentary consideration, although there has been considerable pressure for adoption of a plan of cash disbursement to the states.

### Needs More Money

Administrator Hopkins again is perilously close to overdrawing his bank balance. This totaled only \$347,937,000 Dec. 10 and will be exhausted early in February. In order to keep the relief work program going without interruption, Congress will be asked immediately for another appropriation. A request for anything short of \$780,000,000 will indicate only that Roosevelt still hopes that there may be some reduction in relief rolls before July 1, the end of the fiscal year. All present indications are, however, that this much will be necessary to carry WPA through, as the rate of spending persistently averages about \$170,000,000 a month. About the best that business can hope for is that in the fiscal year beginning July 1 next, the cost of relief can be covered without resort to deficit spending or to a further increase in taxes.

Most of the discussion with reference to the relief problem ignores the bald figures with which the President has to deal in preparing his budget estimates. There is now a record of WPA expenditures over a period of 18 months since WPA was launched in July, 1935. A complete annual cycle since December, 1935, which includes the entire period within which the President sought to prevail upon industry to come to the rescue by speed-

ing reemployment, shows monthly expenditures by WPA, as follows:

	1935 Millions
December	\$136.9
1936	
January	167.9
February	164.5
March	191.5
April	182.6
May	173.7
June	169.1
July	162.9
August	157.5
September	165.0
October	180.9
November	167.9
December (ten days)	65.5

Some variation due to seasonal influences is apparent but there is no reason to believe that the relief load during the early months of the new year will be considerably lighter than in the corresponding months of 1936. The WPA's record represents, of course, only part of the government's work-relief operations. The whole program includes the Resettlement Administration, Civilian Conservation Corps, Public Works Administration, and other agencies, in some of which there is a greater opportunity for economizing, plus expenditures for a variety of non-related activities, such as \$89,897.04 for George Berry's expenses, as Coordinator for Industrial Cooperation.

If Roosevelt and Hopkins are exceedingly adept, they may be able quietly over a period of weeks and months to weed from relief rolls thousands of chiselers to whom private employment offers no inducement. This move will encounter political pressure that is wellnigh irresistible and will not be removed simply by any plan for a Department of Public Welfare.

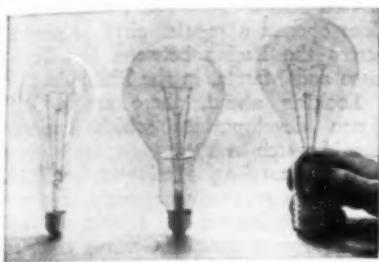
### Many Changes in View

Ignoring the inseparability of politics and payrolls, the only real prospect of establishing a rational relief policy lies in the recognition that labor which cannot economically be utilized in industry and trade must be covered in the effective operation of a social program, in which the Social Security Act is only the initial venture. Through the joint efforts of the federal and state governments this will take many forms. Supported by a higher real income to wage earners and by taxation, it encompasses prohibition of child labor and a longer period of education for minors, vocational education and rehabilitation of castoff labor, extension of workmen's compensation to include industrial diseases, unemployment insurance, old-age

## New Products—New processes, new designs; new applications of old materials and ideas.

RELIEF for orthodox or simon-pure tea drinkers, who object to dunking and drinking tea brewed out of cloth bags, are promised relief in a perforated aluminum foil dunker now being packed with tea by Joseph Tetley & Co., Inc., 483 Greenwich St., New York.

THE new 300-watt Mazda mounted on a regular or "medium screw" base will be available after Feb. 1, from either General Electric or Westinghouse. The new lamp (center) is shorter than the



old "mogul screw" base 300-watt (right) and only slightly taller than the 200-watt (left). Light centers of 200- and 300-watt new-style lamps are now identical.

HEAT indicating paint, long a laboratory stunt, becomes an industrial reality in "Eskalin," newest production of the Eskalin Co., 804 E. 141 St., New York. This new paint has the property of immediately changing color when exposed to heat, and is applicable to over-heat-prone elements ranging from bearings to pipe lines to what have you. Five paints are available, changing color permanently at temperatures ranging from 300 deg. F. to 734 deg. F.; seven retroactive paints change color in ranges from 122 deg. F. to 464 deg. F., returning to original color upon cooling. In each instance, color change is so sharp as to leave no room for doubt that bearing or pipe is too hot.

INTELLIGENT packages for assortments of small drills and the like are sug-

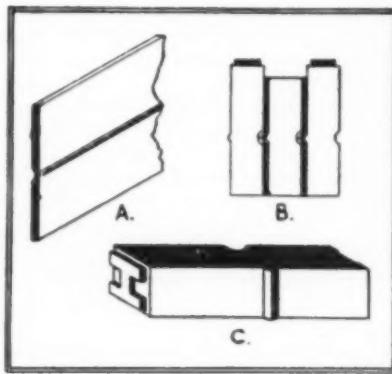


gested by the cigarette cases now being introduced by Krischer Trading

Corp., 230 Fifth Ave., NYC. Each Plaskon stripe is a compartment for one cigarette, each being joined to the other by a "stronglastic cord." Bend the case to get your cigarette—or to get your drill.

LABORATORY tests indicate that "brazings" made of a new series of silver solders, recently patented by John Johnson, have the remarkable quality of always matching the colors of such diverse metals as iron, steel, copper, silver, bronze, brass, monel, and nickel, with tensiles ranging from 10,000 to 20,000 lb. Brazing temperatures range from 905 deg. F. to 1094 deg. F. Test samples available from Henry Engelhardt & Co., Inc., 105 Hudson St., New York.

SEVERAL years have swung by since Mr. Gutenberg must have found himself plagued by "work-ups" in the movable type of his Mazarin Bible, and almost twenty-five generations of compositors and pressmen have found themselves similarly plagued without doing a whale of a lot about it. Now comes from Interlocking Type Co., 140 W. 42 St.,



New York, type cast (on the Monotype only) with a hump or bulge to interlock with the perennial "font nick", likewise with "leads" similarly equipped as per (A). (B) shows two characters separated by leads (shown in black) and a quad, demonstrating how the small hump holds them all down; (C) is a piece of composition-size type equipped with interlock.

ADDICTS of dry shaving who yearn for radio accompaniment will welcome the electric razor "Filterette" of Tobe Deutschmann Corp., Canton, Mass. This little aluminum jacketed appliance which plugs into receptacle serving razor promises to eliminate interference.

# TUF-FLEX

THE  
*Glass*  
WITH

## UNUSUAL STRENGTH



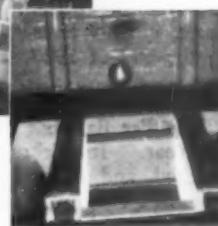
This revolutionary new development, Tuf-Flex Tempered Plate Glass, will undoubtedly find many applications in industry. It has exceptional internal strength and flexibility for glass; it can be bent through an arc of 20° and then, like a steel spring, it snaps back into normal shape where pressure is removed.

Tuf-Flex is much less susceptible to thermal shock than ordinary plate glass, suggesting its possible use in various types of ovens where vision is desirable, thermal instruments and other applications where widely varying and extreme temperatures are encountered.

Tuf-Flex does not break when molten lead is poured on it even though the 1/4-in. light rests on a cake of ice.



The photograph on the right shows a 2-pound steel ball bouncing back from a 12 x 12-in. light of 1/4-in. Tuf-Flex, after a drop of 5 ft.



Tuf-Flex has the same degree of clarity and light transmission as regular polished plate glass. It does not discolor in use. Its coefficient of expansion is the same, and its hardness practically the same as regular plate glass. When broken, Tuf-Flex disintegrates into fine particles which greatly reduces the injury hazard and suggests its suitability for safety guards or screens on machinery.

Tuf-Flex may solve a problem for you. Our technical facilities are at your service for consultation. Write to New Uses and Research Department.

LIBBEY·OWENS·FORD GLASS COMPANY, TOLEDO, OHIO

# TUF-FLEX

Tempered Plate Glass



# This World of Ours in '36—and '37

**After a dangerous year, hope arises that war may be avoided, by buying off Germany. If peace is ahead, world business may top all records.**

WIDEST read news story of 1936 was the King Edward-Simpson affair, but, biggest news for the business world had to do with war, and with defense preparations.

Mussolini wound up his Ethiopian campaign successfully, and before the end of the year had won outright recognition of his victory by Berlin, and grudging acknowledgment of his *fait accompli* by London and Paris. After flirting with Hitler until his colonial adventure was secure, Mussolini ended the year on friendly terms with London, an Italo-British pact to preserve the *status quo* in the Mediterranean was outlined, and a British loan for Italy is confidently expected in the spring.

Revolution flared up in Spain, threatened to become an international war as fascist and communist states openly took sides and supplied men, food, and fighting equipment. It is probable that recent *rapprochement* between London and Rome, plus a new willingness on the part of France and Great Britain to make colonial concessions to Germany and to help open up to the Reich new markets and new sources of raw materials, will be sufficient inducement to end dangerous German intervention in Spain. It is still possible, however, that complications will grow out of the Spanish situation. It is certain that Spain will not have returned to normal by the end of 1937.

## Year 'Round Tinder Box

The Far East has been a tinder box all year. In February, Tokyo was shocked, and momentarily terrified, by an unsuccessful military coup. It was an attempt by an increasingly autocratic army clique to force their will on parliamentarians. It failed, but it indicated a rotten situation in domestic affairs.

A few months later, a series of widely scattered murders of Japanese citizens in Chinese territory was a reason for new coercive demands on China. The Japanese fleet maneuvered in southern waters off Formosa. Fresh troops were landed at Shanghai, and armed guards were landed at Pakhoi in the Southernmost part of China only a short distance from the French colony of Indo-China.

Later in the fall, a Japanese-officered army of Manchukuan soldiers started an advance in Suiyuan province from their Western outpost. China fought back, and Russia increased its guard along the Outer Mongolian border. The

kidnapping of Generalissimo Chiang was claimed to be an effort to force the Chinese government to fight back at Japan. Settlement of the kidnapping episode in a mild manner as far as the guilty parties were concerned indicated to the world that Nanking was in sympathy with their nationalistic aims, though perhaps not prepared to follow their carelessly outlined plan for attack.

## Talk Proved Ineffective

Warned by the Italian affair that even the word of London means nothing without armed force to back it, the British government is now working feverishly to build up its defense forces. The air force is first, to meet the ominous threat from Germany, but the navy is not forgotten. Industry was already booming when the rearmament program got under way. Now iron and steel are at capacity, with delivery of non-military items so slow some business is going outside the country in spite of the tariff.

Four other items stand out in the year's news. Germany has inaugurated a four-year plan for self-sufficiency. Aim: to make the country as far as possible independent of foreign supplies of essential raw materials.

Opening of the great automobile highway from Laredo to Mexico City places a new emphasis on Latin Amer-

ica as a market for United States goods. Spanish-speaking Mexico will be a testing ground for news sales efforts throughout Latin America.

President Roosevelt's personal participation in the Inter-American conference at Buenos Aires definitely marks the beginning of a planned program of leadership in world business, at the same time that it emphasizes the new importance of Latin-American neighbors.

Transport set a new pace during the year. The *Queen Mary*, pride of the British merchant marine, came into service in May and copped the blue ribbon of the Atlantic from the French Line's *Normandie* before the season was over. The airship *Hindenburg* inaugurated a regular schedule of flights between Germany and the United States. And Pan American airlines opened a regular airplane service across the Pacific between San Francisco and Manila, in the Philippines.

Looking ahead, there are a half dozen developments which business should watch in 1937.

1. Outstanding development will be efforts to relieve war pressure from Germany. France and Britain will offer to return former German colonies in West Africa. Portuguese Angola colony may also enter the deal. Demanded in return by Paris and London will be a guarantee of no aggression in Europe by Berlin.

The deal is likely to go further, may include the United States. Germany will ask for freer access to raw materials. Britain, France, Russia, Holland, and the United States control the bulk of these materials. All of them would like to see the restrictions lifted

## They Made Export Records in 1936

These items show export gains of from 300% to 3,000%

Item	Unit	(9 months)		% Gain
		1936	1935	
Oilseeds	tons	54,066	1,636	3,205
Motion picture cameras	number	22,584	1,067	2,017
Platinum and manufactures (except jewelry)	Troy ounces	49,002	3,689	1,228
Derricks (except mining)	number	50	4	1,150
Pine box shooks	bd. ft.	751,374	61,595	1,120
Oil cake & meal (Other than cottonseed and linseed)	tons	41,257	4,875	746
Ferromanganese	tons	334	42	695
Unmanufactured asbestos	tons	3,008	425	608
Foundry & molding equipment	dollars	\$1,879,709	\$374,870	401
Milling-cutters, etc.	dollars	\$1,452,888	\$306,390	374
Electric starting & controlling equipment	dollars	\$673,711	\$147,981	355
Self-containing lighting outfits	number	4,032	904	346
Precious stones, including pearls	dollars	\$288,631	\$69,620	315

## Book Business

Christmas demand was heavy. Increase in reprints gives trade cause for concern.

CHRISTMAS demand for books ended in a surge that made retailers and publishers forget the lean years past. In New York it was estimated that sales were 15% to 20% over the same period of last year. This marked a climax of a steady momentum. *Publishers' Weekly's* index for October showed national retail business at 50.77% over October of 1933 and about 17 points higher than last year. The line still inclined sharply upward.

### Collectors' Slump Over

Retailers currently report larger unit sales. Buyers take several best sellers for themselves or friends. Biography continues in heavy demand and travel is a close second. Collectors are back in the market, increasing sales of fine editions and rare volumes.

Brentano's, New York, developed a "bundling bar" for the Christmas trade. (The terms refers to packaging rather than to an ancient New England pastime.) Several gift items were combined in a fancy Christmas wrapper. Included were books, cigarettes, candy, jellies, etc. A decorative tray or rack was enclosed in each. The buyer made his selections to suit the recipient. Prices ran from \$2.50 to \$25.

A special feature of the holiday book market was the unusual number of re-prints. These are re-issues at lower prices of books that have been hits. Many are outwardly as imposing as the original printing, with decorations and color plates which make them specially suitable for gifts. Books that sold originally for \$3 to \$5 sell during their second incarnation for perhaps \$1.50 or \$1.98.

### Reprint Troubles

The increase in reprints, a direct result of the slump, is causing some concern. There is a danger that it may establish a low price level for many books. Since the reprints and specials offer proven titles at low costs, untried new books at higher costs are at a disadvantage. Even on new hit books there may be an inclination "to wait for the reprint."

It is pointed out that a lower price doesn't necessarily mean the purchase of more books. There is a question of how much time the reader has available. By the same token the time required to read "Gone with the Wind" will cut in on competing volumes more than will the standard \$3 price. The book has 1,037 pages. The millionth copy has been printed and has every promise of being bought, since 700,000 had been sold by the end of October.



FLEET FREIGHT FLEET—Thirty days from New York to Yokohama, these fast freighters of the Nippon Yusen Kaisha line have gross tonnages of 7,000, "wind up" to 18 knots with their 7,000 hp. diesel engines. The Nako and Noto Maru, two of the new "N" fleet of six sister ships, are shown at the line's Brooklyn piers.

from the German market—still one of the world's most important. This probably requires fresh commercial credits. The mark must be brought into the international monetary pact. Then there will be new reciprocal trade bargains. It is the one chance of avoiding war, and Europe and the United States have shown in the last two months fresh willingness to make concessions.

### French Loan First

2. War debts will come into the picture, for it will be Europe's way of cooperating with Washington. The deal with France is likely to come first, to be followed by a French loan of possibly \$500,000,000 to be floated in New York.

3. Mediterranean tensions are rapidly being healed. And unless Germany forces trouble in Spain, the new Italo-British agreement on Mediterranean policy is the beginning of the end of the trouble which has kept many tourists out of the Mediterranean for the last two years, and threatened peace.

4. Japan will push its China program vigorously, with emphasis in 1937 in the Yangtze valley and the South as well in the populous region around Peiping which Tokyo is determined to make a great autonomous area dominated by the Japanese. Britain's involvement at home during the last five years has made it possible for Japan to accomplish many of its gains in China. Britain's policy is changing to one of firmness and Tokyo realizes that what remains to be accomplished must be done quickly.

5. Diplomatic bargaining during 1937 is going to be realistic. Armed force, rather than ideals, will dictate policies. This means that the present armament race will continue during most of the year whether a compro-

mise is discussed or not. Raw materials will be in increasing demand both for manufactures and for reserves. Production restrictions will be further eased, and prices will rise.

6. The reciprocal trade program of the United States will be continued, though it may possibly be superseded by a world move universally to lower tariffs, possibly on a flat 10% basis. Until such a move is made, Washington will continue to negotiate on a most-favored-nation bilateral basis. The Argentine is one of the important nations with which preliminary talks are under way. Negotiations with the United Kingdom are likely to follow the Empire conference in London early next summer.

7. A final development confidently expected by the travel world in 1937 is a boom tourist year, and inauguration of regular transatlantic airplane service.

The threat of war still hangs over 1937, but the new conciliatory attitude of some of the leading powers toward Germany in the last few weeks leads to the belief that war may be avoided. If it is, world business is likely to set new records in 1937.

### Hawaiian Prosperity Juice

WASHINGTON (*Business Week Bureau*) —Pineapple juice, byproduct of Hawaii's pineapple industry, is becoming one of the most important products of the Hawaiian Islands, long devoted to the production of sugar. In his annual report, J. B. Poindexter, governor of the Islands, says Americans are becoming "pineapple juice conscious."

More than 103,000,000 lb. of the juice was sent to the mainland of the United States during the calendar year 1935, for which the Hawaiian plantation owners collected \$5,647,112.

# Business Abroad

## Britain sets up barter companies to deal with Germany; France proposes return of colonies; United States opens way for limited barter business as German internal economy shows signs of cracking.

BRITAIN, France, and the United States made constructive moves this week to ease Germany's internal economic crisis, but all made it plain that further aid could be bought only with Berlin's promise to end threats of aggression in Europe.

Britain has set up two barter companies, with bank backing, to deal with Germany. Aim is to trade empire rubber, oil seeds, and foodstuffs for German steel products which Britain's over-worked mills can't produce except on a long-term basis.

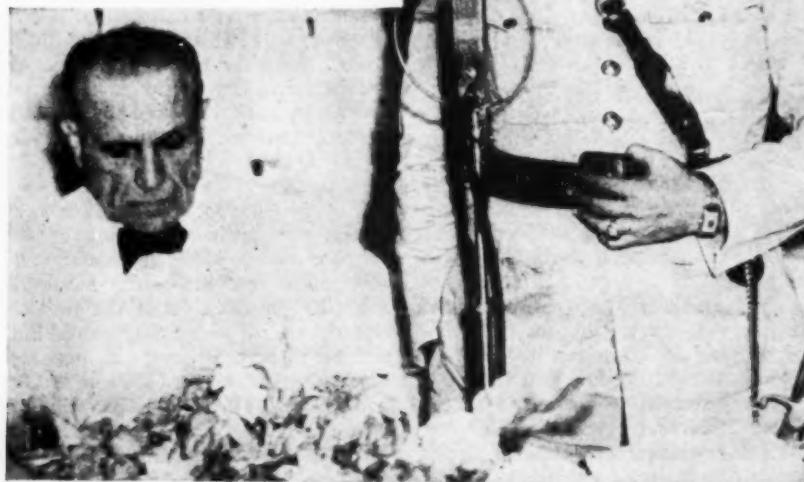
France dangled tempting peace bait before Berlin in the form of a return of former German colonies in West Africa. The regions produce cocoa, copra, palm oil, cotton, and timber.

The United States approved barter deals with Germany for the clearing of marks already blocked in Germany, but the terms of the arrangement are too narrow to allow for an important revival of business.

This European development is the most significant in the week's news. Others to be noted are the advance of military fascism in Cuba (see below), and the settlement which has been made in the Japanese-Australian trade war. Australia is the questionable winner, for import quotas granted Japan are smaller than 1935 imports. Wool exports to Japan are also quoted, but at levels more near the old normal.

**PRESIDENT AND BACKER**—When popularly-elected President Gomez, in Cuba, refused to sign a bill imposing a 9¢ tax on sugar in order to provide funds for schools in which army men would teach, he was removed from office by Col. Fulgencio Batista (right), chief of staff of the Cuban army. Automatically elevated to the Chief Executive post was former Vice-President Federico Laredo Bru, close friend of Batista.

Wide World



years of Nazi rule, unemployment has practically disappeared.

Yet, inwardly, German economy is passing through a severe crisis manifested in the alarming growth of internal strains and tensions. The plain truth is that for the last three years Germany has been "attempting too much at a time" and has been living above her means.

She has undertaken, successively, three tremendous jobs each of which would have sufficed to deplete her reserves. The first was a grandiose program of public works intended to absorb the unemployed. The second was rearmament—to an extent and at a pace unheard of in modern history. The third one—and this is the present stage—is an ambitious "four-year plan" aiming at national self-sufficiency in essential raw materials.

### Paid Dearly for Plan

The price which the country had to pay for this colossal effort is an acute shortage of skilled labor, depletion of raw material stocks, a growing food crisis, and a general lowering of the standard-of-living. On the other hand, a fictitious "gold rate" currency and stagnant foreign trade are indicative of Germany's increasing economic and financial isolation from the outer world. The financial situation is veiled in an almost impenetrable smoke screen of official secrecy. For three years there has been no publication of the national budget and of the Reich's total short-term debt.

The increase in the degree of economic planning has been conspicuous during the last year. The flood of regulations and restrictions was particularly heavy toward the end of the year. The German business man—whether manufacturer, distributor, or exporter—is gradually becoming a "public employee."

Heretofore the shortage of food has been limited to a few products only—meat and fats—and has been mostly of a seasonal character. A much more serious situation has arisen now in regard to grain.

### Hogs Plentiful, Fodder Scarce

The other factor is of still greater importance. Under government pressure German farmers have been expanding their hog population far beyond available supplies of fodder. The number of hogs is now the highest since the war, but in order to feed them, farmers have been using wheat and rye destined for human consumption. Consequently, Germany is now facing a deficit of 1 to 2 million tons of wheat and rye. The alternative is drastic curtailment of consumption by means of bread tickets, or importation of the necessary quantity of grain. This latter is only possible either by a sacrifice of

the country's last scant gold reserve (slightly over 100,000,000 marks, or about \$40,000,000) or by obtaining foreign credits.

One of the few bright spots in the German financial picture is the favorable development of tax receipts—the only data pertaining to German public finance which is still published (for that very reason!). During the first seven months of the current fiscal year, total tax revenue of the Reich was 6,494,000,000 marks, against 5,421,000,000 a year ago.

Nevertheless, the bulk of the Reich's extraordinary expenditure is still covered by short-term borrowing. The ban on private stock and bond issues and other measures for a strict control of the money and capital market have monopolized the country's entire capital resources in the interest of public credit. Including last November's Reich consolidation loan of 600,000,000 marks, some 4,000,000,000 marks of the floating debt have been refinanced so far. This amount, however, represents only one-fifth or one-sixth of the German floating debt.

### Has Avoided Overt Inflation

So far, Dr. Schacht has skillfully avoided allowing this dangerously growing credit expansion to degenerate into overt currency inflation.

Germany's strict adherence to the fictitious gold parity of the reichsmark precludes an adjustment of the excessive German domestic price level to world prices. Consequently, the present volume of export trade can only be maintained at the heavy cost of an annual subsidy of about 1,000,000,000 marks, which is collected by a special "voluntary" levy on industry and commerce.

### France

**Parliament adjourns after budget move. Government will arbitrate labor disputes.**

PARIS (Wireless)—It is too early to report the final budget as parliament is expected to pass it by the end of the year. No complications are ahead, however, and parliament is expected to adjourn until Jan. 12.

After a long conflict between the Senate and the Chamber on the government's bill to force arbitration of all labor disputes, the Senate has finally agreed to a temporary measure which, for six months, authorizes the government to arbitrate labor disputes.

Franco-British negotiations with Germany regarding Spain are viewed hopefully, but there is little hope that they will move speedily to settle the very knotty problems involved.

Business is improving. Holiday buy-

ing has been far more active than in recent years. Both imports and exports were up in November.

## Great Britain

### Coronation boom, labor troubles, a booming stock market, and budget difficulty anticipated in 1937.

LONDON (Cable)—Ending one of the most remarkable years in economic history, Britain looks backwards and forwards with equal bewilderment.

In the fall of 1933 the mood was "Can recovery really be here?"

By the fall of 1934 this had changed to "Can recovery really be sound?"

The fall of 1935 saw the mood "Can recovery really go on?"

This year the question is—"It can't last, but what the hell can stop it?"

Professional economists may argue that British recovery is artificial and that it is dangerous but all the business man knows is that his order book is full and his investments have rapidly appreciated. He was told that the fiscal strain of rearmament would prick the bubble, and the bubble only grew bigger and brighter. He was told that foreign affairs—the march into the Rhineland, the Spanish war, the trouble with Italy—would bring everything

down with a rush, and everything has gone up.

Behind everything and over everything during 1936 he has been the politician. He will dominate 1937.

Stanley Baldwin has emerged from the recent constitutional crisis like a good middle-class Oliver Cromwell, guardian of the rights of parliament, custodian of the national morals. After losing much prestige over the Hoare-Laval error, and further dragging his reputation in the mire by confessing that he lied to the electorate about the German danger and the need to rearm, he found the King trouble the one thing needed to hoist him up again. He may retire to the House of Lords after the coronation of George VI. Whatever he does, he will dominate the government for another four years.

### Personifies John Bull

He stands for: rearmament but not at too quick a pace, a liquid pound, a spread of empire preferential agreements using the British capital market as a bargaining factor. Key to his character is that he looks like a dormouse and acts like a weasel, is a very cunning machine boss with the John Bull exterior that all Britshers like, and that he has a mind that literally does not grasp the realities of foreign affairs nor the spread of modern finance.

He will find that the task of steering



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England in a middle course between Right and Left in Europe during 1937 is difficult. The best guess as to official policy is that it will take as much time as permitted to talk and argue and call conferences, but give way gracefully to demands until 1938, when rearmament will have strengthened her position. In the meantime, the rearmament program will be speeded up, orders will go to Canada and the United States for machine tools and aircraft and munitions.

### Defense Work Gives Impetus

Defense activity will keep British factories busy and give a big impetus to the velocity of the increasing wages fund. This will make 1937 seem even more prosperous than 1936.

Big event of 1937 will be the coronation. The effect on money turnover will be enormous. All businesses connected with tourism will benefit, and so will national morale. Economic danger may come later in the year when the artificial boost to work and wages has expended itself, but by that time a speeded rearmament program and the serious attack which is expected to be made on the distressed areas problem may take up the slack.

The stock market outlook is rosy—with one reservation. As the difficulty of Anglo-German relations grows more apparent, money may begin to flow to the United States in bulk. Opinion here feels that Roosevelt can't stop it by artificial measures. There may be a clash too between London and Washington on currency policy, for London may want a cheap pound very badly in 1937, partly to boost exports and partly to counteract devaluation in the old gold bloc.

Apart from the drift of investment money overseas, the chief attention here will probably be alternately on commodity shares and industrials, with gold shares tending to rise erratically but without recessions. Although aircraft, engineering, and heavy industrial shares have been overbought in equity value, they will still be favorite buys on profit hopes. Retail stores, hotels, and local breweries will be among the properties in demand.

### Labor Troubles Threaten

Labor problems are growing more menacing. So far there have been only threats of strikes, but it looks as if with prosperity for the stockholders in the big industries, wage demands will rise sufficiently to cause the employers to show fight. Textiles, engineering, coal, and transport may all be affected.

One gloomy prospect is that heavy losses in Spain and over the coronation may hit Lloyds hard and cause some dislocation—which may show up in a tightening of bank advances, which would reflect on the stock market in hasty liquidation:

## Soviet Union

### War threats force Moscow to take new defense measures. Women will substitute in industry.

**Moscow (Cable)**—At no time during the five years that your correspondent has resided steadily in Moscow have the war fears been as great as they are now.

The constant threats from Berlin, the tense situation which has developed over the sinking of the Soviet freighter



Globe

**TURN ON THE SUN**—Lasting suntan is claimed as the result of treatments by a new Berlin device. The skin is subjected to a penetrating ray bombardment, through a silk mask which is connected to electrodes. Average treatment takes ten minutes, and 16 treatments are required to make the tan last.

by Spanish rebels, and the constant threat in the Far East from Japan—all combine to keep Kremlin officials working day and night on defense plans.

This war fear is behind the feverish haste with which women are being trained to take men's places in industry. At a conference of the wives of officers of the Soviet army, now meeting in the Kremlin with Stalin and Voroshilov in attendance, old schemes are being broadened.

The extent to which women already participate in industry exceeds that of any other country. Further widening of the program clearly reveals what is in the minds of Soviet officials.

A third of Russia's 24,000,000 workers are now women. They are to be found even in the metallurgical and coal industries where they constitute 25% of all of the workers. They pre-

dominate in many machine shops, tool-making plants and large repair shops.

In the course of the last six years, more than 4,500,000 have been absorbed in industry. In agriculture, they have made as rapid progress. More than 25,000 women can operate tractors; 170,000 are members of collective farm administrative bodies; 2,500 are village mayors; 300,000 are on village councils.

*Pravda*, this week, writes frankly: "In case of war, the main burden of maintaining the country's economy will fall on the shoulders of women." Women will be substituted for men in every sphere of life as Russia mobilizes the largest army in its history, the newspaper adds.

## Canada

### Dominion business measures year's gains. Tax free bonds will be refunded in New York.

**OTTAWA**—The manufacturing industry was Canada's greatest wealth producer in 1936. Income from manufacturing is placed at \$1,467,000,000 in a national survey. This is 8.6% above the 1935 figure.

Agriculture is next with a total of \$746,000,000 of new wealth, a gain for the year of 10.6%. Mining showed the biggest increase, 20.4%. Electric power output gained \$11,000,000, construction \$6,000,000, and tourist revenue \$50,000,000. Income from all sources is placed at \$4,545,000,000, which is 11% ahead of 1935.

Retail sales for 1936 were 5% above 1935 but the increase was in process of acceleration in the last half of the year. Probably due to stimulated interest in building and home improvement, hardware sales showed the highest percentage gain.

United States-Canada tariff reciprocity is hitting the Canadian furniture industry hard, the industry claims. It alleges furniture imports from the United States have increased 160% in the year and that while general industrial employment has increased from the index 91.8 in 1931 to 109 this year, there has been a decrease in the furniture industry from 98.2 to 87.3. It is also under the handicap of increasing raw material prices.

### Canadians to Offer Bonds

Canada will soon test the New York market for Canadian federal bonds. Finance Minister Charles Dunning is negotiating with Morgan Stanley Co. regarding a prospective refunding issue of \$90,000,000. Proceeds would be used to redeem \$90,000,000 tax free 5% war bonds issued in 1917. Only one tax free issue will remain outstanding, maturing in December.

# Money and the Markets

New Year begins with all fundamental market factors favorable. The problem is how to continue the recovery but control the boom. Runaway spurt of commodities is chief recent development.

CONTROLLING the boom but, at the same time, continuing the recovery—that's the inherently contradictory proposition to which the New Year is dedicated. But securities markets are used to contradictions.

In 1929 money was tight but stocks were hilarious; in 1930 there was the "sunshine campaign" although fundamentals there was money galore but no enterprise; in 1932 the bottom fell out of business and stocks went up; in 1933, there was monkeying with the currency while business, which is always for "hard money", felt better; in 1934 there was too much government in industry, and markets stalemated; in 1935 and 1936 industry fought Roosevelt while business and stocks boomed.

Now fundamentals are preponderantly favorable. Perversely, stocks, which have risen in 18 of the last 20 months, probably aren't in for such uniformly smooth sledding this year.

## Obstacles Growing

To the extent that the markets are banqueted on accelerating recovery, sauced with plentiful credit, they will fatten and thrive. But the periods of reducing diet from now on stand to be more frequent. An erstwhile bountiful Washington is in a mood to ladle out nothing but crackers and milk to stock traders; less impressive, too, are the chances for uninterrupted industrial recovery.

Yet the obstacles faced by industry are much more imagined than real. Labor unrest has assumed serious proportions but strikes, if they were to spread no further, would prove but a minor handicap. Credit control is still

## Paying With Paper

Two companies got "paper" dividends off their corporate chests this week with the approval of two federal regulatory bodies. Object: to hold on to cash yet escape the federal undistributed earnings surtax.

The Interstate Commerce Commission authorized the Greyhound Corp., nationwide bus company, to issue 5½% preference shares as part of a dividend plan to pay 75¢ a share, optional in cash or stock (BW—Dec. 19, '36, p.42). The Securities and Exchange Commission granted the Mission Oil Co., a registered public utility holding company, permission to distribute to its shareholders a promissory note from the Southwestern Development Co. at the rate of \$2 principal amount for each share held. Mission Oil should not be confused with Mission Corp.

Both commissions ruled in effect that the distributions were consonant with Congress' intentions in the Revenue Act of 1936, though the ICC pointed out that there were certain disadvantages in "capitalizing a dividend."

a long way from strangulation. Tax-forced dividends have not impaired working capital of corporations more than a mite.

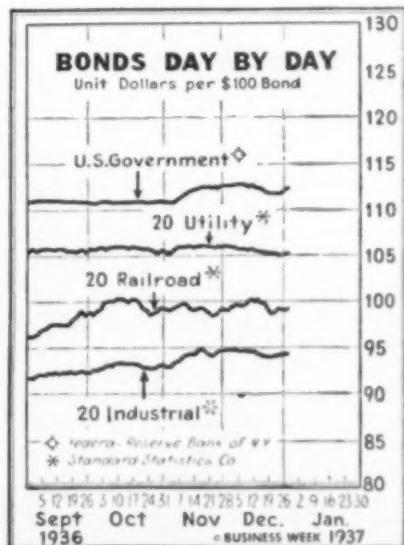
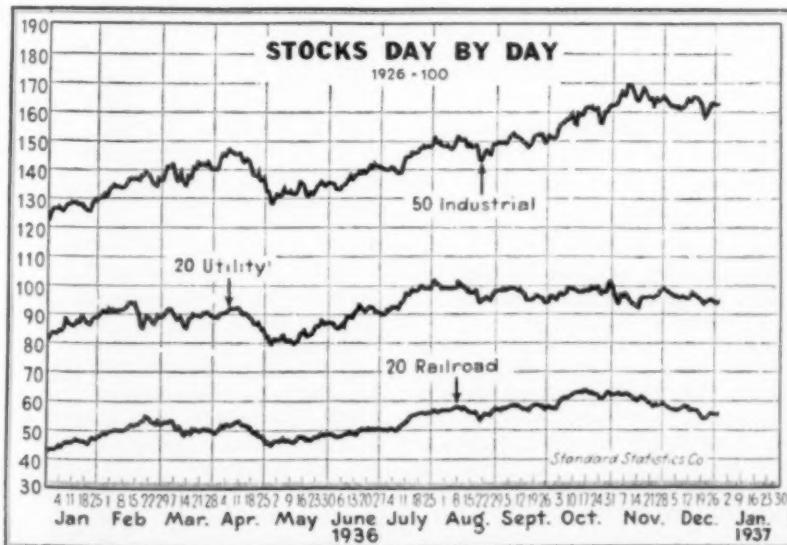
Most of these things probably won't happen. Yet the financial community has ever been more prone to dodge at thunder than to flee the flood. This contributed to selling in December when common stocks went down for the first month since last April, for the second since March, 1935. But the net recession last month was less than 2% and it apparently carried values of all common shares on the New York Stock Exchange down to about \$51,750,000,000 from November's recovery peak of \$52,677,821,961.

In the light of those figures it is interesting to recast what has happened in this bull market of the middle 1930's. Common stocks, now worth \$14 billions of dollars, have almost doubled the 26 billion figure for Apr. 1, 1935, approximate starting date for this protracted rise. Since the sharp break of April, 1936, there has been a comeback of nearly 10½ billion dollars and the net gain for the year 1936 was a bit more than 11 billion.

## A Few Handicaps

To annex that 10 billion, common stocks had to weather such wallops as final collapse of the gold bloc; the first boost in member bank reserve requirements; an election that didn't please Wall Street; abdication of a British king; the worst drought in America's history; election of France's first out-and-out Leftist government; a series of crises in the Far East; a \$100,000,000 rate decision against the railroads; revolt in Spain, and a boost in stock margins to a record height.

Now it may well be that the securities markets won't be called upon in 1937 to surmount any more bad news than they were in 1936. This, despite the many warnings from Washington that there must be no speculative boom. But, even if there aren't any backbreaking blows struck, stocks have added so





*Business Week*

**THE BIG BOSS AND THE BOYS**—A group of Chrysler workers with Walter P. Chrysler (fourth from left), who paused soon after the millionth automobile built by the company since Jan. 1 rolled off the assembly line recently. The first time the company produced as many as 1,000,000 units during a twelve-month, this year's output will more than double its 1929 peak for the industry.

much weight that they can't swing up as agilely now as they could five or fifteen months ago.

That's the penalty of discounting recovery well into the future. It makes the going harder in days when credit controls are being evolved, when a new Congress is getting down to work, and when the government may not be in there financing recovery with a huge deficit.

Yet, even though the market has enhanced in value spectacularly, it has retained one conspicuous point of strength—it is very largely a cash affair with margin speculation at a minimum. At the beginning of the upswing 20 months ago, New York Stock Exchange members' borrowings on collateral were \$773,123,266 and they were only \$984,004,702 on Dec. 1, last. Thus "Street" loans have risen only a little more than 25% while common stock values have very nearly doubled.

#### Not Much on Margin

Putting it another way, members' borrowings constituted 2½% of the value of all listed stocks (including preferreds) in April, 1935. Today that ratio has dipped to about 1.7%. (In 1928 it was 9.66%). A market like that faces a minimum of margin selling. That should keep stocks from falling out of bed.

Nevertheless, this strong cash position has not been achieved without some sacrifice in liquidity, and liquidity is the shock absorber when the going gets tough. Through higher margins, the restrictive action of the capital gains tax, Securities and Exchange Commission and Stock Exchange investigation of suspected manipulation, and threatened broker-dealer segregation, trading has been brought down to a very low

level in the light of total number of listed shares.

Back in 1926-29, monthly turnover on the New York Stock Exchange ran from about 6% to more than 13% of all listed shares. That diminished to less than 1% in 1934 and, despite bullish enthusiasm, 1½-2% was typical of monthly trading activity on the Big Board in 1936.

The outlook for bonds in 1937 is, if anything, less well defined than that for stocks. There are a lot of factors at work which may tighten money rates in the long run—the impending boost in reserve requirements, sterilization of gold, expanding business and commercial borrowing, and institutional resistance to low yields.

Yet the bond market has looked vulnerable for a long time and has, nevertheless, moved on consistently to new record highs. Institutions are disinclined to hold bonds at these prices but are afraid to sell for fear it will be a long while before they can restore their investment accounts at yields more to their liking.

The last fortnight has proved, however, that prices can slip off easily on a little liquidation. Aside from routine transactions, the bond market lately has been subjected to selling by banks which are forced to let go of a few investments to prepare for the expected increase in reserve requirements.

Commodity markets present a problem that's even more difficult. There has been a runaway rise in the last two months, both here and abroad. It was touched off by a combination of speculation (with inflationary leanings) and rearmament programs. Now the rise has gone so far that it appears to contain more boom potentialities than anything else in business or securities.

This has brought about a material change in Washington's attitude toward, for example, farm prices. While the talk once was of price raising and parity for farm income, it now is of stabilization. This reflects the fact that something like the desired parity has been achieved. But, beyond that, it means that the old cost of living is getting out of hand in metropolitan areas—despite recent wage increases.

Still a further aspect of the commodity boom impinges on industry's inventory position. Business is stocking now. This contributes to strength in prices, and that, in turn, tempts purchasing agents to stock up still more. That sort of thing goes 'round and 'round and, meanwhile, prices of manufactured products either go up or profit margins come down.

Right now there's a little of both. Labor costs already have pared profits. Social Security taxes have done a bit of the same. And higher commodity prices exaggerate the problem. If prices to the consumer are raised, sales resistance isn't very far in the future.

## They Still Borrow

**Commercial loans keep growing, contrary to usual trend at end of year.**

SINCE the middle of last year "other loans" of reporting Federal Reserve member banks have increased \$700,000,000, or 14%. In itself, that is not surprising. Nor did it produce an abnormal total, around \$5,800,000,000.

What is significant, however, is that through December industry continued to borrow—counter to the seasonal trend. Usually, bank loans contract after November. Most borrowing for Christmas business is done prior to Nov. 30, and in December manufacturers are being paid and liquidate their loans.

#### Different This Year

That did not happen this year. Apparently manufacturers, and merchants as well, were caught somewhat short by the Christmas rush and had to lay in last-minute stocks. Accompanying the boom in commercial borrowing was a normal seasonal increase in money in circulation. At \$6,800,000,000—a bumptious total—outstanding currency was at an all-time peak, if the bank-run period of 1933 is excluded.

Returning currency, after the year-end, will boost member bank reserves, but whether "other loans" will be reduced immediately is a question. Clearly business is going to the banks for accommodation. That seems to have been the outstanding development at the end of 1936.

Commercial borrowing had been at a

standstill for nearly three years. From the middle of 1933 to the middle of 1936, "other loans" fluctuated around \$5,000,000,000. Because businesses, during the stock market heyday years of 1928 and 1929, had been able to sell large quantities of stocks and bonds, they had no need of banks when the depression developed. They had plenty of cash on hand.

And even in the early days of recovery there was little demand for money. The government, through its deficit financing, was supplying all that was needed. As for short-term inventory loans, even the urgency for them subsided. Speedier transportation and improved means of production made it unnecessary to carry large supplies.

But basically industry was buying from hand to mouth. Managements were unwilling to risk inventory losses through price declines. They were none too sure of the government's ability to foster reflation, nor were they sure that the recovery had any tensile strength.

Now, however, with two years of sturdy business—1935 and 1936—the fear of a sudden relapse has been minimized. Industry once again is ready to borrow from banks—and is doing it.

**Commodity Margins**—Big doings in commodity markets in the last six weeks have attracted an ever-growing speculative following. Some neat profits have been chalked up and the stock-minded have been interested to find how much cheaper they could work in commodities than in stocks.

So don't be surprised if the next Congress modifies the Commodity Exchange Act to give the commission power to regulate margins. Heretofore the Commodity Exchange Administration has been authorized only to prevent commingling of customers' funds.

**SEC and Commissions**—Stock exchange houses have done a lot of grumbling about the high cost of Securities and Exchange Commission supervision. Now, faced with SEC's pet plan of broker-dealer segregation, the talk of higher commissions on stock trades is rife.

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The request of several members for higher rates was submitted to the New York Stock Exchange some weeks ago. Then came the burst of activity in November and the proposal was tabled. Now volume has dwindled again and, with efforts brewing to reduce so-called professional trading, agitation for the increase is reviving.

Brokers feel that if they are to be denied the right to scalp trading profits, they want to get the money from some other quarter.

**One Side of It**—David M. Milton, fine target because he is the son-in-law of John D. Rockefeller, Jr., was whipping boy for the SEC's investment trust probers. Mr. Milton's name, and that of Equity Corp. which he heads, make good newspaper copy and the investigators took full advantage of it.

But, in searching in great detail through the high finance which marked Equity Corp.'s beginnings, investment trust circles don't believe the commission gave Mr. Milton the credit which is due him on his record. He got into the game at a time when investment trusts were a dime a dozen. He took over properties which already were complicated financial things. And out of it came Equity, a trust which has done quite a job of simplifying some of the unwieldy babies it took over.

The job Mr. Milton did wasn't made any easier, either by the fact that Floyd Odlum's Atlas Corp. had been around ahead of him, snapping up properties which clearly lent themselves to rehabilitation and absorption.

**Silver Lining**—Railroads weren't cheered by the refusal of freight-rate surcharge extension, and both stock and bond markets took it as a severe blow. But the bond houses that sell the carriers' equipment trust certificates found a bright spot in the picture.

For most of the railroads, handling the best traffic in six years and facing further improvement, are confronted with deferred maintenance, repairs, and equipment outlays. Robbed of earnings in one direction, they are forced to look for them in another. And that other avenue is improving facilities in order to corral more business.

So, if surcharges aren't to provide the money to buy rolling stock, the carriers will slap a lien on the equipment. They'll borrow more on equipment trust notes (which have been utilized a lot lately and sell like hotcakes.) And the underwriters will get more business.

**Savings into Governments**—Worth more than casual thought is the trend in savings bank investments. Traditionally, the thrift of the small people—the people who deposit in mutual



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**WILL FIGURE OUT SECURITY**—One of the world's largest accounting tasks will begin soon here in the offices of the Bureau of Labor Statistics, Washington. A large corps of clerks and accountants will be employed to keep records of several million employees and calculate their benefits in unemployment insurance and old-age pensions.

savings institutions—is assumed to go into mortgages. But of late years savings bankers have shown a strong partiality for the liquidity afforded by United States government obligations.

Whereas in 1915 less than 1% of mutual savings deposits found residence in governments, today more than 18% of such deposits draw the puny income available from Treasury bonds, notes, and bills. It simply means that there has been a change in the character of savings bank investment. This, in part, may account for the effort of Uncle Sam to make home mortgage and renovation money easy, through the Federal Housing Administration and Federal Savings and Loan Associations.

Any doubt about the shift of savings bank deposits into governments is quickly dispelled by these facts:

Year*	Amount Invested in Holdings to U.S. Issues	% of Govt. Deposits
1915 .....	\$16,964,000	0.43
1920 .....	369,592,000	7.12
1928 .....	203,344,000	2.31
1932 .....	530,666,000	5.29
1933 .....	550,256,000	5.66
1934 .....	991,988,000	10.14
1935 .....	1,379,429,000	13.91
1936 .....	1,851,139,000	18.40

\*As of June 30, except for 1935, which was June 29.

The rapid rise from 1915 to 1920 was undoubtedly due to Liberty Bond drives during and after the war. The drop from 1920 to 1928 was probably a return to the original conception of the savings bank function. Thereafter the steady rise can be attributed to the pursuit of liquidity after 1929, when the policy of paying out to depositors on demand made it incumbent upon mutual savings banks to have a substantial backlog of readily marketable securities.

Postal Savings trustees also repose most of their deposits in government bonds. As of June 30, the amount was

\$800,000,000. Hence, about \$2,650,000,000 of the nation's savings (which normally would be considered perfectly adapted to mortgage loans) have been diverted to lapping up government debt.

**Suggesting a name**—Whenever the Treasury has a new financial operation to account for, the problem arises how to set it up in the daily statement. And now that Sec. Morgenthau is undertaking to buy imported gold with Treasury bills, the item must be duly recorded in the Treasury's reports. For the bookkeeping entry, the following title appears worthy of more than cursory consideration: "Gilded Gold" (BW—Dec 26 '36, p11).

**Quotas and Markets**—In September the international rubber committee

raised shipment quotas to 70% for the first half of 1937. On Dec. 15 the figure was boosted to 75% for the first quarter and 80% for the second. Consumption was increasing rapidly but the 18¢-a-lb. price was satisfactory to producers, and the committee, it was felt, had acted to maintain approximately those quotations.

But the result was very different indeed. Last Monday crude rubber in New York soared above 23¢ for the first time since August, 1929. Speculators in Europe and the United States made a killing and the international committee took a verbal lacing from the trade.

### Quota Too Tight

What had happened was not unlike several other recent experiences with managed control. Consumption soared way beyond expectations. The 65% quota that prevailed in the last half of 1936 was so deficient that available supplies were sharply reduced. Remaining stocks in London and Liverpool were in strong hands. There will be a lag of some weeks before the new quotas are fully effective. Manufacturers are reluctant to buy at these prices but it is a question how long they can hold off.

Agitation is for some method of controlling supplies so as to readjust to unexpected consumptive demand more rapidly, less painfully. Something of the same sort might have checked the runaway market in copper during the last three months. There again the speculators found the market in a tight position. Prices were whirled upward and several successive increases in European quotas simply never caught up with demand.

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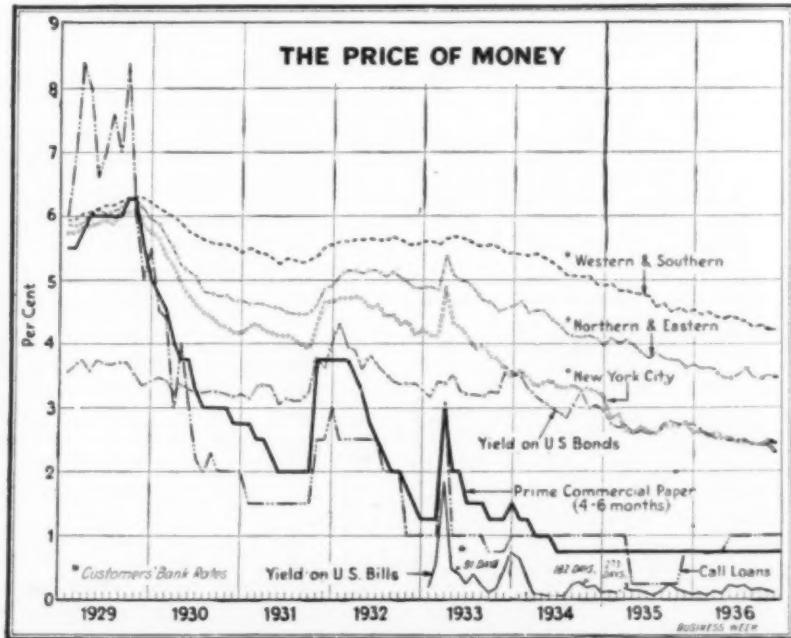
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## Editorially Speaking—

TUGGING our long white beard, we recall the time long past when the average office actually got some work done on the day before Christmas and the day before New Year's.

ABOUT two quintillion (2,000,000,000,000,000) miles away from us, according to Dr. Walter S. Adams of the Carnegie Institution, is the most distant star of the universe. He says it's almost at the outer limit of space. Go a little way beyond that and you're liable to fall off.

UNHESITATINGLY the Gentleman on the Financial Run approves the decision of the New York State Bankers Association to hold its next convention on an ocean liner, cruising to Bermuda and back.

The Gentleman on the Gadget Run, having recently occupied himself with the Automotive Industries Service Show, at Chicago, thinks the next one should take place on the seas between California and Hawaii.

The Gentleman on the Roving Run is going to the Argentine in a few days, on his own time and at the expense of that multitude of the misled who pitted their election prediction against his; but after he's back, and has got his land legs again, he'll be willing to plan ocean cruises for the National Association of Manufacturers, the American Petroleum Institute, and the many other organizations whose conventions he usually covers.

But all the nobility and gentry who're tied down to desks in this office are dead set against the cruise idea. They think the leg men have it too soft already.

IN 1932 the Treasury's issue of nickels only amounted to \$1,000. Keep that in mind as a bench-mark, to indicate the depression low.

It isn't accurate to say that the country has gone ski-screwy. There are Southern parts of the country where you can't ski unless you import several miles of deep snow, and even the Texas Centennial didn't think of doing that. There are large Northern parts too flat for the really exciting sort of skiing. And even in the cold and hilly parts, most people can't afford skiing, which is a pretty expensive sport.

But there's certainly a large minority who have decided that you're never really alive unless you're racing over a white planet, balancing yourself on baby canoes, keeping your knees flexed, your wits clear, and your ears flapping.

And the regions most suitable as scenes for this sort of misbehavior are making a good thing out of it. The

New Hampshire State Planning and Development Commission, for example, has published "New Hampshire Skiing," a folder containing road maps and detailed descriptions. And the Boston & Maine Railroad has published a 48-page book, "The Snow Train," listing all the hotels, inns, and boarding-houses open to winter guests. All this information should be manna for the ski maniacs. It is for us.

AFTER lasting an hour and a half, a spelling bee between a men's team and a women's team in Pelham, N. Y., was declared a draw "because of the lateness of the hour and the lack of suitable words." So they ran out of everything with more than four letters, did they?

WELL, we slip sometimes. We slipped last week, on this page. "It seems," we wrote, "that nobody was hurt, except Mr. Hoover, who got a whiff of tear gas." And the Gentleman on the Liaison Desk draws a ring around "nobody was hurt," and writes on the margin, "Holter-upper's wife was shot, that's all."

WE slipped, too, a few weeks ago, as far as a reader in Fort Worth is concerned. He shakes his head over a "statement which I read very carefully a number of times in order that I might be sure that it was written in sober seriousness and not in satire. It begins, 'Spain makes the supremely silly charge that Mussolini has turned some of his warships over to the Spanish rebels.' Satire? Good heavens, man! Was there ever a breath of satire on this sepulchrally serious page? We merely pointed out that Mussolini couldn't possibly have turned over part of his navy to the Spanish Fascists because that would be a violation of the Washington Naval Treaty, and, as everybody knows, treaty-breaking is something Mussolini does anything else but.

WILLY-NILLY, the Indianapolis Water Co. complies with the request of one of its customers, who writes: "Here is payment of the account, so please do not disturb Mrs. M— K—, our guarantor in this matter, as she has been dead and buried for seven months."

IN Papua there are still some communities where no girl will marry a man unless he has killed another man and can give her a finger of the victim as a dowry, to wear, smoke-dried, suspended from her neck. This, of course, is merely a sign that the girl has got a man who can protect her. Under modern conditions the same proof is afforded by a mink coat or a diamond necklace.



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JANUARY 2, 1937

## Forward in the New Year

The year 1936 kept its promise to American business. "Nothing in politics or economy, short of a world cataclysm," we said on this page a year ago, "can prevent a great forward surge." That prediction has been fulfilled, and now at the start of 1937 it is clear that the forward surge of 1936 has every chance of continuing, though its pace will probably be more moderate, as it ought to be.

There is one great unpredictable factor—the question whether Europe will be able to avoid a general war this year. Business must take that uncertainty into account as well as it can, recognizing that the ultimate effect of a general war would be disastrous to the world, but that for the short term it would stimulate the demand for American commodities, so far as our neutrality laws allow.

As 1937 begins, American business can look back on a year in which for the first time since 1929 it got out of the red and into the black, earning more than enough to pay wages, taxes, expenses, and dividends. Capital goods industries came out of their lethargy and scored a 35% gain. This year they may rise 20% further, though their percentage of normal will be below consumers' goods.

The recent extraordinary climb of commodities is partly due to war preparations, but in the main it is a sign that the accumulated wants of seven years' depression are at last being satisfied. And this demand for commodities has stirred the vast tranquil sea of idle bank credit. During the past half-year commercial loans have materially increased, for the first time since 1929, and, what is particularly significant, they continued to increase in December, a month in which they usually decline.

The construction industry came to life in 1936 and probably will climb at least 20% higher this year. Home-building may go up 40%. There is an immense shortage of dwelling space, and every day of business recovery will increase home building.

Foreign trade, too, has got started at last, and the American reciprocal trade treaty program will probably make steady progress in the year.

Against all these sunny factors there are, of course, some that are murky. Millions of people are still out of work. The National Association of Manufacturers, in its congress of

American industry, advanced a broad and thoughtful program of cooperation with the government in order to decrease unemployment and lighten the relief load. Much depends on what Congress will do. But since business has strongly survived the attacks and shocks of legislation in the past three years, it should easily be able to emerge strong at the end of the present year.

The labor situation is ominous, but there are signs that John L. Lewis and his allies, in their drives to unionize the mass industries, will not receive as much support as they expected from Washington.

Control of credit is another question that needs tireless attention. Fortunately the Administration has shown an unexpected degree of promptness and courage in acting to restrict the inflation it started. The Federal Reserve Board has increased reserve requirements and plans to do so again. The Treasury has started to geld the gold from abroad, preventing its use as a base for bank reserves. All this encourages the belief that what lies ahead of us is a period of recovery with stability, not a crazy spree of speculation and a stunning headache of remorse.

### Berry's Help in Fomenting Strikes

The anomalous position of George L. Berry in the Administration has not been clarified yet. Perhaps this will be done soon, when Congress acts on various proposals for regulating business. Mr. Berry has been diligently trying to foment some new kind of NRA. As part of that ambitious effort, he has preached the doctrine that labor is being oppressed. In one industry after another he has bombarded the workers with misleading figures about their wages and the prosperity of their industry. Maybe

this makes the workers want a new NRA, but one thing is certain—it puts them in a mood for strikes.

Some time ago *Textile World* and *Chemical and Metallurgical Engineering* pointed out the distortions in Mr. Berry's wage analyses of the textile and chemical industries. But, with the weight of government authority behind them, Mr. Berry's sophistries have undoubtedly impressed the workers in these industries and others. Therefore some of the recent strikes are partly Mr. Berry's doing. Perhaps he is proud of that.

### Higher Taxes for Debt Retirement?

Prof. Simeon E. Leland of the University of Chicago has raised a large question in a speech before the American Economic Association. He says the government debt incurred in fighting the depression should be retired as fast as possible by raising taxes as high as business can stand. He argues that unless this debt is retired before the next depression, government credit will be weakened and the government will have a harder time floating the loans to overcome that depression.

When the government debt was being retired by Sec. Mellon, most of it was in private hands. Paid off, the investors largely used their money in speculation, and so a fiscal act of the government inadvertently stimulated the mania of '28 and '29.

But today 56% of the debt is held by banks. Suppose we balance the budget in a year or two, and then have a surplus. That surplus will have come from the bank deposits of taxpayers, as all taxes do. If the government retires bonds out of tax receipts, the net effect is a reduction in the volume of deposits. This would, to a large degree, tend to control the boom, because it would curtail the total deposits available for use in speculation and in business.

Thus, retirement of the public debt would be deflationary. Whether it would be too deflationary would depend on the amount retired, and on the extent of recovery at that time. The debt question will require increasing thought and discussion as we approach a balanced budget.

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